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CANADIAN HOUSING
MARKETS
PREMIER ISSUE
CMHC Market Analysis Centre
September 1990

CMHC Introduces New Affordability Measure

Affordability remains stable in 50% of centres. **SEE PAGE 3**

As part of Canada Mortgage and Housing Corporation's role to provide information on housing and housing markets, and in order to meet the need for ongoing analysis of housing affordability, CMHC has developed an indicator of homeownership affordability. The indicator was developed following consultation with various groups involved in housing, including representatives of the builders, lenders, real estate industry, other government departments, academia and other groups concerned with affordability. The indicator shows the percentage of renter households who can afford to purchase a starter home in each metropolitan area.

Information on the starter home price for each centre is based on data of National Housing Act (NHA) insured homes. NHA insurance has traditionally been used by first-time buyers to allow them to purchase a home. In fact, recent research indicates that over 60 per cent of NHA insured loans are made available to first-time buyers. Market research also confirms that the typical purchase price of first-time buyers in the major metropolitan areas closely corresponds to the average NHA price by market area. Given this, the NHA price data is a good indicator of the price of starter homes.

Homeownership affordability varies significantly across the country, from a low of 6.7 per cent of renters who can afford to purchase a home in Toronto to a high of 45.5 per cent in St. John's. The main difference is, of course, in the price of homes in the various cities.

Over the past five years, the housing markets in many areas of Canada have been characterized by *continued on page 2*

Percent Of Renters Who Can Afford To Buy A Home

CMA	FAMILY 1990	FAMILY 1989	NON-FAMILY 1990	NON-FAMILY 1989	TOTAL 1990	TOTAL 1989
Victoria	11.0	17.1	4.1	6.7	7.8	12.2
Vancouver	13.2	18.4	5.9	8.2	9.6	13.3
Edmonton	33.1	43.0	17.6	26.7	26.4	36.0
Calgary	25.5	34.1	14.6	20.7	20.5	27.9
Saskatoon	41.2	41.2	30.7	30.7	36.1	36.1
Regina	43.0	43.0	35.3	35.3	39.4	39.4
Winnipeg	44.0	44.0	29.2	29.2	37.2	37.2
Thunder Bay	45.6	45.6	26.8	26.8	38.5	38.5
Sudbury	30.6	42.8	19.3	19.3	26.9	26.9
Windsor	40.8	50.3	25.6	25.6	34.7	45.4
London	18.8	25.9	7.9	12.1	13.9	19.7
Kitchener	9.7	15.7	6.0	9.5	8.3	13.4
St.Catharines-Niagara	20.7	30.7	10.9	19.6	17.5	27.1
Hamilton	12.9	19.5	5.7	8.6	10.1	15.4
Toronto	8.1	8.1	4.8	4.8	6.7	6.7
Oshawa	11.4	11.4	7.9	7.9	10.5	10.5
Ottawa	22.9	31.8	11.8	17.3	17.9	25.2
Hull	36.2	36.2	22.4	22.4	31.6	31.6
Montreal	28.8	28.8	12.5	12.5	22.1	22.1
Trois-Rivières	36.8	36.8	21.4	21.4	31.0	31.0
Sherbrooke	25.9	38.2	13.1	21.3	20.7	31.4
Quebec	37.0	37.0	18.3	18.3	29.3	29.3
Chicoutimi-Jonquière	42.3	42.3	32.0	32.0	39.7	39.7
Saint John	34.6	34.6	27.8	27.8	32.7	32.7
Halifax	28.9	41.1	18.8	27.4	24.9	35.7
St.John's	46.0	46.0	45.3	45.3	45.5	45.5

SOURCE: CMHC, Statistics Canada

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continued from page 1 rapid price growth due to increases in demand. The growth in demand has been a result of strong economic growth and increased employment opportunities.

Over the last year, rising interest rates have also impacted housing affordability. The rate of house price growth has eased in the past few months, but a higher level of mortgage rates has continued to erode the purchasing power of potential first-time buyers. Interest rates in 1989 were on average 12.15 per cent for a three year mortgage and 13.5 per cent in 1990. This trend, combined with the increased carrying cost due to higher taxes and heating costs, has reduced the number of renter households that can afford to purchase the typical starter home.

Affordability of housing in Canada is related to household incomes, house prices, mortgage interest rates, property taxes and utility costs. Since movement in most of these factors is closely associated with the economic cycle, housing affordability has historically also been cyclical. It is normally countercyclical to the economy, declining as the economy improves and improving as the economy declines.

As the economic cycle reaches its peak, reduced demand for homes causes house prices to moderate. As interest rates decline, incomes should catch up with prices and affordability should improve over the coming 18 months.

Currently, the highest average price (NHA) for a starter home is in Toronto at $192,029. At this price, only 6.7 per cent of renter households can afford to purchase.

... affordability should improve over the coming 18 months...

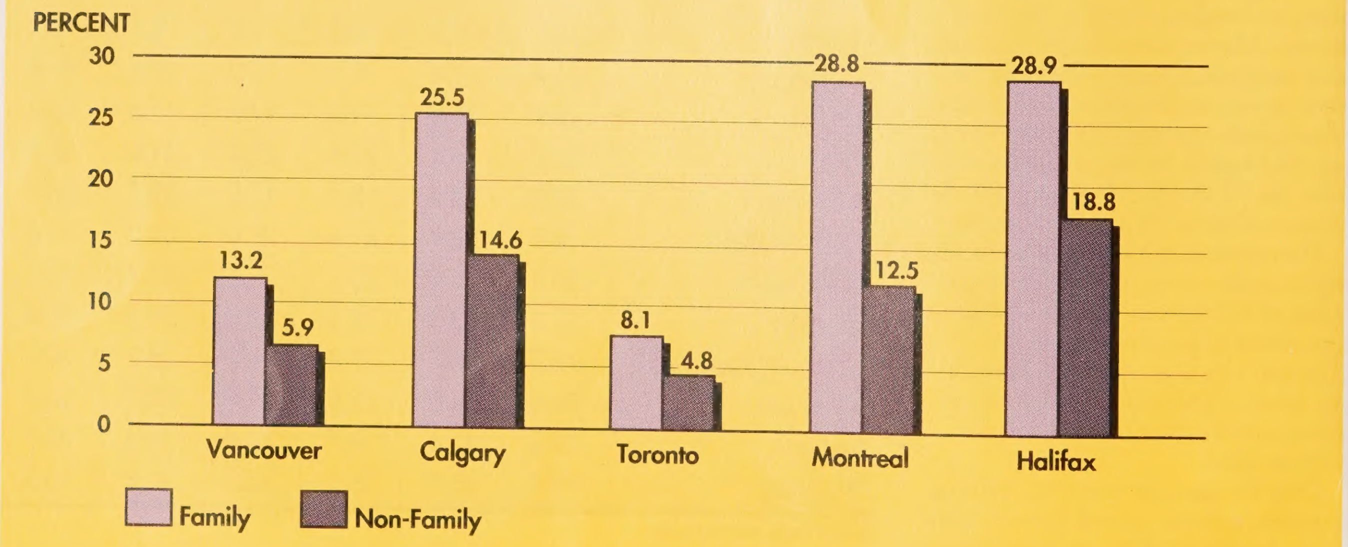
Less than 20 per cent of renters in most southern Ontario cities have sufficient income to afford a typical starter home with the exception of Windsor, where 34.7 per cent of renter households can afford a starter house. Northern Ontario cities are more affordable with more than 26 per cent of renter households who can purchase a house.

The situation is the same in British Columbia as in southern Ontario. Renter households able to purchase housing declined from slightly more than 13 per cent in 1989 in Vancouver to 9.6 per cent in 1990, while in Victoria the number who can afford declined from around 12 per cent to 7.8 per cent in 1990.

In Quebec, affordability is less of a constraint to homeownership. Over 20 per cent of all potential first-time buyer families can afford the typical starter home in all census metropolitan areas in the province. Lower price increases compared to income over the last year have kept the market more affordable than in other areas of Canada. In addition, the proportion of renters in Quebec is quite high. Less than 55 per cent of all households in Montreal own their own home, as many rent by choice. This means that more higher income households are remaining as renters, which also improves the affordability figures.

Slower economic growth in Atlantic Canada has resulted in income growth at or close to the pace of house price growth. Low income *continued on page 3*

Renters Who Can Afford to Buy Mid - 1990



SOURCE: CMHC, Statistics Canada

continued from page 2 levels have reduced the buying power of potential first-time buyers but lower overall house prices mean more households can afford to buy. St. John's is among the cities with the greatest percentage (45.5 per cent) of potential first-time buyers in Canada who can afford the typical starter home. Surprisingly, non-family households in St John's have a greater purchasing power than family households. This reflects the high proportion of non-families who rent by choice and are not inhibited from ownership by affordability.

In the prairies, weak economic growth has kept house prices, inflation and income growth low. In Saskatchewan especially, the number of potential first-time buyer households who can afford to purchase is greater than 35 per cent. In Alberta, affordability has been declining lately, mainly due to the recent economic recovery the province is experiencing which has led to greater demand for homes and increases in the prices of houses. Recent increases in interest rates have also been a factor adversely affecting homeownership affordability in this area. However, provincial interest rate subsidy programs in Alberta and Saskatchewan for owner occupied homes have somewhat offset the effects of higher interest rates.

Typically, across the country, non-family households have less opportunity to enter the ownership market due to lower household income. In many high growth markets, the number of unattached individuals sharing accommodation has increased. Census data show that in Vancouver and Toronto over 15 per cent of non-family households between ages 20 and 44 own their own homes. In these two centres, despite less than 6 per cent of non-family households who have sufficient income to afford the typical starter home, many of these non-family households are able to purchase homes due to the greater purchasing power of their combined incomes. As a result, the proportion of non-families who are homeowners has increased in markets that appear to be out of reach of the average single person. ■

Affordability Remains Stable During Past Two Years In 50% Of CMAs.

During 1990, increases in house prices slowed down in most CMAs across the country. In fact, about 50 per cent of CMAs reported either declines or relatively stable house prices. Despite this positive market factor, the income required to purchase these homes continued to rise as a result of significantly higher interest rates in 1990 and increases in property taxes and heating costs. However, growth in household incomes has been sufficient to offset these costs and maintain the number of renters who can afford. Examples of CMAs where the average starter home price has been declining and affordability has been maintained include, St.John's, Quebec City, Toronto, Oshawa, Winnipeg, Regina and Saskatoon.

In those CMAs where the number of renter households who can afford has declined in 1990, the required income to purchase has significantly outpaced growth in household income as a result of higher interest rates, combined with increases in house prices, property taxes and heating costs. This has typically occurred in Vancouver, Victoria, Edmonton, Calgary, Halifax and CMAs in southern Ontario. ■

About the CMHC Affordability Indicator

CMHC's affordability indicator provides an assessment and comparison by market of homeownership affordability for potential first-time buyers.

The indicator shows the percentage of family and non-family renter households between the ages of 20 and 44 who can afford to buy a starter home in each of the 26 Census Metropolitan Areas. The age limit of 20 to 44 was chosen as most first-time buyers are in this age group.

In order to establish the percentage of potential first-time buyer households who could afford a typical starter home, the income required to purchase a starter home was compared to the distribution of renter household incomes. The calculation of the income required to carry the monthly payments was based on a minimum downpayment of 10 per cent and no more than 32 per cent of income to service a mortgage at current interest rates, taxes and heating costs.

The renter household incomes were based on census data and adjusted to reflect current income levels. The rate of income growth for each metropolitan area was estimated from increases in wage settlements as well as from increases reported in Statistics Canada's surveys, such as Household Income, Facilities and Equipment (HIFE), wages and salaries and inflation.

The price of a starter home is based on NHA insured homes price data. NHA price data are an accurate representation of what first-time purchasers can afford as homes with NHA insurance are typically purchased by young, first-time buyers with less than 25 per cent downpayment.

Since most first-time buyers normally choose a longer term mortgage, a three-year term closed mortgage with a 25 year amortization was assumed. The current values of property taxes and heating costs for a representative starter home have been included to further enhance the indicator.

The indicator will be updated semi-annually. ■

DEFINITIONS:

Potential First-Time Home Buyer:

All income earning renter households, distinguished as either family or non-family, between the ages of 20 and 44.

Average Starter House Price:

The average starter house price is that of the NHA insured home which include the following house types; single, semi-detached, row, mobile and apartment condominium. NHA insured homes are typically purchased by young first-time buyers with less than 25 percent downpayment.

Property Taxes:

Property taxes representative of a starter home. Data are from Statistics Canada.

Monthly Mortgage Cost:

The monthly principal and interest payment associated with the average starter home price, assuming 10 percent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Heating Costs:

Average heating costs representative of a starter home. Data are from Energy, Mines and Resources.

Monthly Total Carrying Costs:

Total of monthly payments required for principal, interest, taxes and heating costs.

Income Required to Carry a Mortgage:

The income necessary to service the mortgage payments at current interest rates assuming a 32 percent gross debt service ratio.

Mortgage:

A three-year term closed mortgage was assumed with a 25 year amortization. An interest rate of 13.5 per cent was used for 1990 and 12.15 per cent (annual average) for 1989.

Canadian Housing Markets is a quarterly publication featuring CMHC'S affordability indicator semi-annually. Enquiries regarding subscription should be directed to: Manager, Marketing & Communications, CMHC Market Analysis Centre, 682 Montreal Road, Ottawa, Ontario K1A OP7. Tel.: (613) 748-2286 or Fax: (613) 745-1741. Comments and requests for additional information may be referred to Sharon Olm, Market Analysis Centre, Ottawa. Tel.: (613) 748-2967.

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CMA	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989
Victoria	118,940	108,070	1,249	1,039	1,965	1,839	710	681	1,472	1,249	53,342	45,301
Vancouver	142,356	125,376	1,468	1,200	1,803	1,735	410	403	1,653	1,378	59,853	49,939
Edmonton	85,265	79,530	895	765	1,695	1,670	450	426	1,074	939	38,941	34,082
Calgary	104,694	91,586	1,099	881	1,770	1,723	440	407	1,283	1,058	46,507	38,374
Saskatoon	63,922	64,679	671	622	1,405	1,360	570	550	836	781	30,325	28,352
Regina	59,907	59,798	629	575	1,589	1,563	560	555	808	752	29,340	27,298
Winnipeg	64,022	65,235	672	627	1,756	1,705	640	610	872	820	31,662	29,794
Thunder Bay	84,429	79,425	886	764	1,383	1,297	730	706	1,062	931	38,525	33,759
Sudbury	85,943	76,760	902	738	1,602	1,431	700	677	1,094	914	39,682	33,157
Windsor	84,548	79,164	888	761	1,566	1,476	520	514	1,061	927	38,487	33,628
London	110,375	101,047	1,159	972	1,647	1,495	570	564	1,344	1,143	48,683	41,440
Kitchener	135,277	125,674	1,402	1,202	1,715	1,594	570	564	1,593	1,382	57,689	50,079
St.Catharines-Niagara	98,174	90,483	1,031	870	1,556	1,429	520	514	1,204	1,032	43,622	37,414
Hamilton	130,831	122,931	1,361	1,179	1,811	1,700	560	554	1,558	1,367	56,455	49,532
Toronto	192,029	197,712	1,932	1,818	2,183	2,001	570	564	2,161	2,032	78,258	73,570
Oshawa	151,951	149,893	1,558	1,409	1,750	1,727	550	544	1,750	1,599	63,356	57,900
Ottawa	115,969	115,495	1,217	1,111	2,638	2,376	620	595	1,489	1,358	54,014	49,272
Hull	77,626	77,283	815	743	1,700	1,686	930	879	1,034	957	37,541	34,751
Montreal	89,140	87,235	936	839	1,932	1,931	910	860	1,173	1,071	42,560	38,902
Trois-Rivières	58,526	58,799	614	565	1,368	1,343	970	922	809	754	29,399	27,405
Sherbrooke	66,758	67,261	701	647	1,354	1,349	910	860	890	831	32,292	30,170
Quebec	66,330	64,948	696	625	1,706	1,657	990	941	921	841	33,462	30,567
Chicoutimi-Jonquière	57,993	56,861	609	547	1,337	1,284	1,030	979	806	735	29,287	26,726
Saint John	63,352	60,523	665	582	838	798	930	899	812	723	29,471	26,251
Halifax	84,098	80,624	883	775	1,862	1,630	810	749	1,106	974	40,124	35,335
St.John's	68,712	68,784	721	661	881	880	970	906	876	810	31,759	29,396

SOURCE: CMHC, Statistics Canada & Energy, Mines & Resources

The First-Time Homeowner

While CMHC's new affordability measure relates to potential first-time purchasers, it is also interesting to look at who actually are first-time buyers. To do this, information was examined on households who purchased their first home between 1983 and 1988. The data are from Statistics Canada's Household, Income, Facilities and Equipment Survey.

The income and age of first-time households vary somewhat across the country, as it depends on the affordability and price level in specific markets. Certain characteristics, however, are common to most of the large metropolitan areas.

First-time homeownership occurs far more often among family households than among non-family households, mainly because families have more income (often two incomes). Non-family household income is, on average, 28 per cent lower than that of family households. Eighty-four per cent of all first-time home buyers are family households and only 16 per cent are non-families.

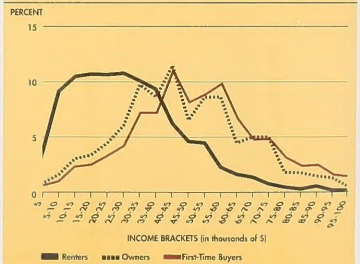
First-time homeownership also occurs at a younger age for family households than for non-family households. The age of the first-time homeowner varies according to the affordability of each metropolitan area. Households purchased their first home later in large centres in British Columbia, Ontario and Quebec. First-time buyer households were the oldest in British Columbia with an average age of 40.5 years and the youngest in Saskatchewan with an average of 30.5 years. The average age for the households in the other provinces was between 34 and 36 years of age.

The income of first-time buyers is higher than that of the average renters. Their income is closer to the average owner's income than to the average renter's. Owners' income is on average almost twice renters' income, varying from 74 per cent higher in British Columbia to 115 per cent higher in Saskatchewan, while owners' income (non first-time buyer) is less than 24 per cent greater than average first-time homebuyer income. In fact, average first-time homebuyer income is 39 (Ontario) to 101 per cent (Saskatchewan) greater than average renter income. Thus first-time home buyers are among the highest income group of renters.

Households who had not formed a household prior to buying a home represent on average 14 per cent of all first time homebuyers, whereas previously renting households represent the remaining 86 per cent. In markets with higher house prices where downpayments might present a problem, a higher proportion of first-time homebuyer households did not rent before owning than in areas where houses are cheaper. For instance, in the large metropolitan centres of Ontario and British Columbia (population of 500,000 and more), the number of households that did not maintain a household before purchasing their first house represented respectively 17 and 23 per cent of all the first-time homebuyers, whereas those households accounted for 14 per cent in Saskatchewan and 10.5 per cent in middle-sized metropolitan areas of Ontario (population of 100,000 to 499,999). However, the number of households that did not maintain a home before purchasing their first dwelling is much lower at 6 per cent in the large metropolitan areas of Quebec. Overall, British Columbia is the province which has the highest proportion of first-time buyer households that did not maintain a household prior to purchasing while Quebec records the lowest with 6.7 per cent.

This surprising finding may be related to the fact that in areas where home prices are very high, rents are also very high and young adults might be staying longer within an already existing household before forming their own household. By doing so, they can make the necessary saving required for a downpayment. On the contrary, in areas where house prices are cheaper, rents tend to be relatively cheap and do not prevent household formation. Moreover, Quebec's well supplied rental market and its tradition of renting are factors explaining the high proportion of first-time homebuyers that were previously renters. ■

Household Income Distribution
Metropolitan areas of 500 000+



SOURCE: HIFE 1988

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CMHC Market Analysis Centre
January 1991

Affordability Improves in Most CMAs in the Past Six Months

During 1990, house prices either declined or remained relatively stable in most Census Metropolitan Areas in Canada. This factor combined with decreasing interest rates resulted in an improvement in the percentage of renter households who can afford to buy a home in all CMAs, except in St. John's.

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Toronto and Vancouver were among the CMAs that registered the largest price declines. . .

Declining or stable home prices in most CMAs, combined with declining interest rates from 13.5 per cent in May, 1990 to 12.5 per cent in December, 1990 had a positive impact on home ownership affordability. Toronto and Vancouver were among the CMAs that registered the largest price declines at 6.5 and 5.3 per cent respectively. Despite slight increases in property continued on page 2

Percent of Renters Who Can Afford To Buy A Home

CENSUS METROPOLITAN AREAS (CMA)	FAMILY JULY-DEC. 1990	FAMILY JAN.-JUNE 1990 **	NON-FAMILY JULY-DEC. 1990	NON-FAMILY JAN.-JUNE 1990 **	TOTAL JULY-DEC. 1990	TOTAL JAN.-JUNE 1990 **
Victoria	12.1	10.9	4.5	4.0	8.6	7.8
Vancouver	17.1	12.4	7.6	5.6	12.4	9.0
Edmonton	35.1	32.8	19.4	17.3	28.4	26.1
Calgary	30.3	25.0	18.1	14.4	24.7	20.1
Saskatoon	39.9	37.8	29.4	27.3	34.9	32.8
Regina	44.9	40.6	37.0	32.9	41.2	37.0
Winnipeg	41.5	39.5	27.0	25.3	34.8	33.0
Thunder Bay	47.3	41.9	28.0	23.0	40.4	35.2
Sudbury	29.5	26.6	18.2	16.0	26.0	23.4
Windsor	42.7	39.8	28.2	24.8	37.0	33.9
London	20.5	19.4	8.8	8.1	15.3	14.4
Kitchener	11.3	8.1	6.9	5.1	9.7	7.0
St.Catharines-Niagara	21.4	19.4	11.6	10.3	18.2	16.4
Hamilton	15.6	12.4	7.1	5.6	12.3	9.8
Toronto	13.0	8.7	7.3	5.0	10.7	7.2
Oshawa	11.3	7.7	7.3	4.0	10.3	6.8
Ottawa	14.7	13.0	6.4	5.9	12.0	10.6
Hull	53.8	52.1	35.4	33.7	45.5	43.8
Montréal	28.8	27.2	12.5	11.7	22.1	20.8
Trois-Rivières	35.6	35.0	20.1	19.5	29.9	29.3
Sherbrooke	34.4	29.3	18.6	15.2	28.0	23.6
Québec	37.1	36.8	18.4	18.1	29.5	29.2
Chicoutimi-Jonquière	43.4	39.4	32.9	29.0	40.8	36.9
Saint John	34.2	32.1	27.2	24.9	32.5	30.3
Halifax	34.4	30.4	22.4	19.6	29.8	26.2
St. John's	40.4	41.9	39.8	41.2	40.4	41.9
P.E.I.*	44.7	44.2	34.5	34.0	41.8	41.4

** CMA is not used due to data limitations; see Affordability Table page 8.*
*** Revised due to updated data.*

SOURCE: CMHC, Statistics Canada

continued from page 1 taxes, 10.7 per cent of the renter households can now afford a starter home in Toronto compared with 7.2 per cent in the Spring of 1990.

In Vancouver the percentage of renters who can afford to buy a home increased to 12.4 per cent from 9.0 per cent.

In Vancouver the percentage of renters who can afford to buy a home increased to 12.4 per cent from 9.0 per cent. Price declines were also reported in other less affordable CMAs such as Oshawa, Kitchener and Hamilton, thereby improving affordability.

St. John's is the only CMA where affordabilty declined. The modest reduction is the result of price increases of 5.2 per cent which offset the positive impact of declining interest rates. House prices in St. John's are exhibiting strength as a result of a greater number of higher priced homes being sold in the past six months. Notwithstanding the decline in affordability, St. John's ranks as the fifth most affordable CMA in the country.

Access to homeownership should continue to improve in 1991, as house prices are expected to either decline or remain relatively stable in most cities, while mortgage interest rates are also expected to continue decreasing. ■

Is There An Adequate Supply of Affordable Housing?

In most cities across the country, the average renter can afford many of the houses available for sale. In Montréal, Vancouver, Victoria and many cities in Ontario, however, more affordable priced housing is needed. In all cities, the number of listings of existing houses for sale which are available to the average renter has increased over the last six months as stable or declining house prices have combined with lower interest rates to make housing more affordable. (See tables, pages 4 and 5)

In addition to the affordability indicator, which measures the percentage of renter households who could afford to buy a typical starter home in each metropolitan area in Canada, CMHC has analysed the supply of affordable homes at the local level. The supply indicator measures the size of the available supply to which renter households could have access.

The supply indicator is the percentage of total active residential listings (MLS listings) at or below the maximum affordable house price for the average renter. The maximum affordable house price was derived from the income of the average renter household, using a gross debt service ratio of 32 per cent to service the mortgage, the insurance premium, property taxes, and heating costs, using current interest rates.

One of the objectives of developing this indicator was to show builders if there was a market for affordable housing. Therefore, in determining the income of the average renter, those renters eligible for social housing assistance were not included as it was felt that they do not have the potential in the near future to purchase a home.

Renters in most metropolitan centres in Canada with the exception of British Columbia, Ontario, Montréal and Sherbrooke could afford at least 20 per cent of the supply of listings at the end of 1990. Even non-family households, who have more affordability problems than family households, had a reasonable choice of listings in many centres, although in many others, their access to homeownership was limited.

There is a definite need for more affordable priced housing in Victoria, Vancouver, Toronto, Oshawa, St. Catharines, Ottawa, Montréal and Sherbrooke, where the average renter can afford less than ten per cent of the homes for sale. The greatest shortages are in Victoria, Vancouver and Kitchener.

While affordability is expected to improve and renters will be able to have a wider choice of housing, the need for an increase in the supply will still exist in these cities. The demand for more affordable housing has been seen recently in Toronto, where builders selling lower priced houses sold them quickly.

Homeownership should continue to become more affordable as interest rates continue to fall. During the six month period from June to December 1990, the drop in interest rate combined with stagnant or declining house prices more than offset a rise in heating costs and property taxes recorded in some metropolitan areas. The maximum house price that renters could afford to carry increased in metropolitan areas in the Prairies and Ontario on average 8.8 per cent and 8.2 per cent respectively. Renter households can afford more than 60 per cent of the listings in Saskatchewan, close to 50 per cent in Manitoba, and continued on page 7

Home Buying Trends in Canada Today

The proportion of move-up buyers and first-time buyers has changed over the last decade partly because of demographic factors but also due to the economic cycle. Over the last decade, the move-up buyer has become the predominant buyer, whereas in the 1970's, the first-time buyer was predominant. As the population continues to age, this trend will continue. Overlaying this long term trend is the impact of the business cycle. When the cycle is booming, housing demand increases, prices are forced up, favouring the move-up buyer who has more equity. When the cycle is in a downturn, housing demand falls, prices drop and housing becomes more affordable which favours first-time buyers.

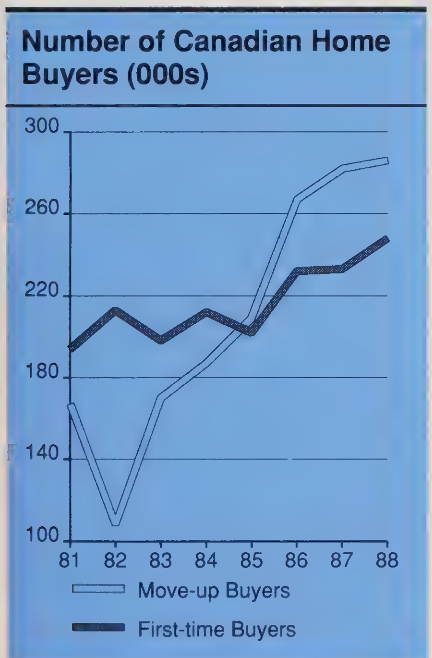
Home sales rose from 321,000 in 1982 to 534,000 in 1988. Sales to move-up buyers more than doubled from 108,000 in 1982 to 286,000 in 1988 as rising prices accelerated equity gains, providing the downpayment funds for further buying. The expansion phase of the economic cycle in the 1980's moved with the large "baby boom" generation who have been demanding move-up homes. Move-up buyers in Canada increased from 34 per cent of sales in 1982 to 54 per cent in 1988 based on data from Statistics Canada's Household Household Incomes, Fixtures and Expenditure (HIFE) surveys (data are not yet available for 1989).

Sales to first-time buyers rose from 213,000 in 1982 to 248,000 in 1988. It is interesting to note that although first-time buyers have been declining as a proportion of all home buyers, their numbers are still increasing and they have not been shut out of most markets.

Move-up Buyers Are Majority After 1984

After 1984, more than half of Canadian home buyers were move-up buyers. In the early part of the decade, high mortgage rates in 1981-82 reduced demand, and buyers' market conditions led to lower home prices. Move-up sales fell in 1982 because potential buyers lost equity and found it more difficult to sell their existing homes. First-time buyers took advantage of the more affordable prices, and the number of first-time buyers remained relatively stable between 1982 and 1984. As a result the proportion of first-time buyer sales rose to 66 per cent in 1982. The trend to move-up buyers after 1984 resulted from stronger employment growth, rising prices and equity growth.

Most regions experienced a shift toward move-up markets after 1984. The strongest move-up markets were in British Columbia and Ontario, where 57 and 59 per cent of buyers were trading up respectively in 1988. Above average price increases propelled equity gains to higher levels and drove move-up demand further in these two provinces. In Québec, where sales peaked in 1987, the share of move-up buyers dropped from a high of 53 per cent in 1986 to 46 per cent in 1988. During this period total sales fell with move-up sales declining more than first-time sales. Reduced equity growth discouraged move-up buying while a provincial subsidy program which encouraged purchases of first homes helped sustain *continued on page 6*



SOURCE: Statistics Canada HIFE Surveys 1983-89

Per Cent Of Move-Up Buyers By Region

	1980	1982	1984	1986	1988
Atlantic Canada	43	36	40	43	46
Québec	39	21	36	53	46
Ontario	50	38	55	59	59
Manitoba/Sask	46	35	54	51	52
Alberta	53	34	37	44	46
British Columbia	61	37	46	51	57
Canada	48	34	47	53	54

SOURCE: Statistics Canada HIFE Surveys 1983-89

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicator semi-annually. Enquiries regarding subscription should be directed to: Manager, Marketing & Communications, CMHC Market Analysis Centre, 682 Montreal Road, Ottawa, Ontario K1A 0P7. Tel.: (613) 748-2286 or Fax: (613) 745-1741. Comments and requests for additional information may be referred to Sharon Olm, Manager, Local Markets Analysis, Market Analysis Centre, Ottawa. Tel.: (613) 748-2582.

Supply Available to Average Renter Households

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1990 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Victoria	Family	42,901	92,150	6.2	Mobile Home & Row Condos
	Non Family	34,420	69,160	2.5	Older** Apt. Condo
	Total	39,540	83,020	4.6	Apt. & Row Condos
Vancouver	Family	50,580	117,800	8.3	Newer† Row Condo; Bungalow
	Non Family	42,130	94,910	3.1	Newer Apt. Condo
	Total	46,560	106,910	5.7	Newer Apt. Condo
Edmonton	Family	42,840	96,880	33.7	Older Bungalow; Apt. Condo, 5 Yrs
	Non Family	35,950	78,250	19.0	Older Apt. Condo
	Total	40,020	89,270	27.3	Older Bungalow & Apt. Condo
Calgary	Family	45,840	105,110	38.0	Older Bungalow
	Non Family	39,360	87,540	13.0	Older Row House
	Total	42,970	97,320	20.0	Older Bungalow
Saskatoon	Family	40,010	91,470	68.6	Older Split; New Bungalow
	Non Family	34,880	77,590	52.5	Older Bungalow
	Total	37,600	84,940	62.9	Older Bungalow
Regina	Family	41,120	92,640	81.6	Older Bungalow
	Non Family	35,810	78,250	71.3	Older Bungalow
	Total	38,580	85,750	77.7	Older Bungalow
Winnipeg	Family	43,230	92,920	55.9	Newer Bungalow
	Non Family	36,680	75,170	36.6	Newer Apt. Condo
	Total	40,320	85,030	48.4	Bi-Level, Bungalow & 1 1/2 Storey
Thunder Bay	Family	47,450	110,560	55.9	Older Bungalow
	Non Family	40,600	92,000	42.3	Older Semi-Detached
	Total	45,030	104,020	53.5	Bi-Level; Older Bungalow
Sudbury	Family	42,110	94,310	29.0	Older Bungalow
	Non Family	37,570	82,010	20.0	Older Bungalow
	Total	40,760	90,650	29.0	Older Bungalow
Windsor	Family	50,250	117,800	48.2	Older Bungalow, Row & Apt. Condos
	Non Family	41,300	93,580	32.4	Older Bungalow, Row & Apt. Condos
	Total	46,750	108,310	41.3	Older Bungalow, Row & Apt. Condos
London	Family	45,350	103,610	17.7	Row Condos
	Non Family	36,770	80,350	5.5	Older Bungalow; 1 1/2 Storey
	Total	41,830	94,060	11.9	Apt. Condos
Kitchener	Family	42,630	93,800	2.6	Mobile Home, Apt. Condo
	Non Family	36,100	76,110	0.6	Apt. Condo
	Total	40,310	87,510	1.7	Apt. Condo
St. Catharines-Niagara	Family	41,420	94,340	10.1	Older Bungalow
	Non Family	35,570	78,470	4.0	Older Bungalow
	Total	39,550	89,260	7.8	Older Bungalow
Hamilton	Family	45,840	101,870	15.2	Older Bungalow; 1 1/2 Storey
	Non Family	37,260	78,620	3.6	Older Apt. Condo; 1 1/2 Storey
	Total	42,560	92,970	10.0	Older Apt. & Row Condo; 1 1/2 Storey

Supply Available to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1990 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Toronto	Family	58,920	136,140	10.2	Row Condo
	Non Family	51,170	115,160	4.7	Apt. Condo
	Total	55,970	128,150	7.3	Apt. Condo
Oshawa	Family	48,400	110,140	5.7	Row Houses
	Non Family	41,710	92,010	1.5	Apt. Condo
	Total	46,410	104,720	4.7	Apt. Condo
Ottawa	Family	52,840	116,210	15.7	Older Row Houses
	Non Family	43,250	90,240	7.5	Older Row & Apt. Condo
	Total	48,660	104,910	9.1	Older Row Houses
Hull	Family	43,580	94,220	36.0	New Semi-Detached; Older Bung.
	Non Family	37,310	77,250	14.0	Older Semi-Detached; Newer Condo
	Total	41,650	88,990	28.0	Older Bung.; Newer Semi-Detached
Montréal	Family	44,720	94,820	14.0	Bungalow; Older Semi-Detached
	Non Family	36,110	71,480	3.8	Newer Apt. Condo
	Total	41,570	86,270	9.1	Bungalow;Older Semi-Detached
Trois-Rivières	Family	36,350	76,900	38.5	Older Bungalow
	Non Family	30,900	62,140	15.2	Older Bungalow
	Total	34,570	72,070	25.2	Older Bungalow
Sherbrooke	Family	36,270	77,110	14.5	Older Bungalow
	Non Family	31,600	64,460	4.3	Older Apt. Condo
	Total	34,630	72,680	9.1	Older Bungalow
Québec	Family	38,780	80,360	23.7	Older Bungalow; Apt. Condo
	Non Family	32,730	63,960	8.6	Older Apt. Condo & Mobile Home
	Total	36,640	74,570	17.6	Older Bungalow; Apt. Condo
Chicoutimi-Jonquière	Family	37,020	79,650	38.8	Older Bungalow
	Non Family	32,710	67,970	21.5	Older Bungalow
	Total	36,040	76,990	34.6	Older Bungalow
Saint John	Family	37,230	83,770	51.0	New Bungalow
	Non Family	33,160	72,720	28.0	Older 2 Storey
	Total	35,930	80,240	41.0	New Bungalow
Halifax	Family	41,700	91,750	38.0	Older Bungalow
	Non Family	37,710	80,940	25.0	Older Bungalow
	Total	40,230	87,750	33.0	Older Bungalow
St. John's	Family	46,880	108,260	52.8	Older Bungalow
	Non Family	46,450	107,090	51.5	Older Bungalow
	Total	46,750	107,910	51.9	Older Bungalow
P.E.I.‡	Family	39,490	90,310	74.0	Older Bungalow
	Non Family	36,420	81,970	67.0	Older Bungalow
	Total	38,540	87,730	72.0	Older Bungalow

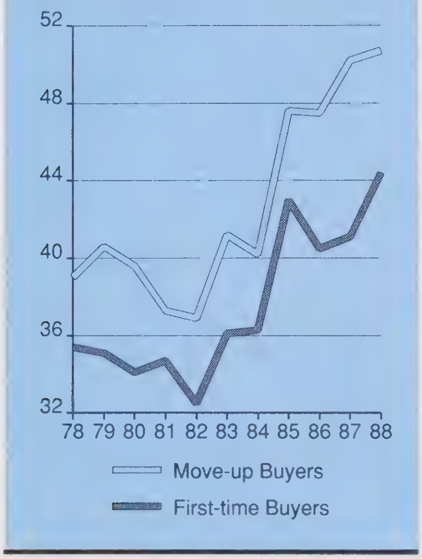
** Calculated with interest rates of 12.5 per cent*
***Older is ten years or more*
† Newer is five years or less
‡ CMA is not used due to data limitations
SOURCE: CMHC, CREA, Statistics Canada & Energy, Mines & Resources

continued from page 3 demand for first-time buyers despite weaker employment growth. In Alberta, first-time buyers were still the majority in 1988 because of the province's heavy reliance on resource industries which tended to attract a large number of younger migrants. However, even Alberta showed a definite trend toward move-up buying because of the general aging of its population, as did Atlantic Canada, Manitoba and Saskatchewan.

Incomes Of First-time Buyers Increased

In 1982, the average household income of persons who bought a first home was relatively low at $32,500.

Average Household Incomes of Canadian Home Buyers ($ 000s)



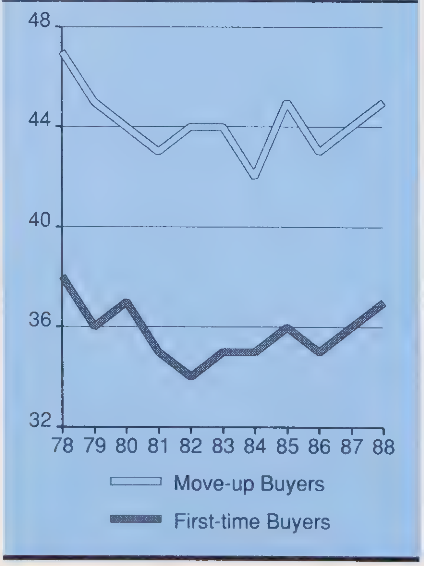
SOURCE: Statistics Canada HIFE Surveys 1983-89

However, declining home prices and mortgage rates enabled households with lower incomes to purchase. As the cycle progressed, demand from move-up buyers pushed prices up by an annual average of about 10 per cent while incomes rose only 5.25 per cent. Despite this imbalance, homes remained largely affordable until early 1987 because of declining mortgage interest rates. After 1987, rising mortgage rates combined with rapidly escalating prices reduced affordability. This is also reflected in the above average increases in incomes of the home buying segment of the population. In 1988, all average incomes rose only 5.6 per cent while the average household income of persons who bought their first homes rose by eight per cent to $44,400.

Affordability Forced Many Buyers To Delay Purchases

Reduced affordability in mid 1987 and 1988 forced many potential buyers to delay their decision to purchase, as shown by the average age of home buyers. While the average age of first-time buyers was lower in the 1980s than it was in the late 1970s, it was on its way back up through the 80s, rising from 34 in 1982 to 37 in 1988. The average age of move-up buyers increased from 43 to 45 in 1986-88. In 1988, delays in home buying increased the most in large urban centres with populations above 500,000, i.e., in markets with the fastest price increases. Between 1986 and 1988 the average age increased from 34 to 39 for first-time buyers and from 42 to 45 for move-up buyers in these large centres.

Average Age of Canadian Home Buyers



SOURCE: Statistics Canada HIFE Surveys 1983-89

About 75 per cent of Canadian home buyers in the 1980's purchased their first home between 25 and 45 years of age of which 62 per cent bought between 25 and 34.

Home Buying In The 1990's

As the current economic cycle bottoms out and begins a recovery, first-time buyers will again have an advantage when housing becomes more affordable. A repeat of the early stages of the 1980's cycle is expected which will result in first-time sales remaining either stable or increasing in 1991 while move-up sales continue to be low. First-time buyers should therefore be in the majority in 1991, and many renters will be in a position to buy for the first time.

Growth in the first-time market will be slightly slower in the 1990's than it was in the 1980's because of slower growth in the 25 to 34 year age group. This age group, which accounts for 62 per cent of first-time home demand, will grow by only 0.5 per cent annually, down from 1.9 per cent in the 1980's. This development is largely the result of an aging of the "baby boom" generation. Move-up sales should start increasing faster than first-time sales in 1992 when prices resume an upward trend and equity gains stimulate demand. This trend will be reinforced after 1992 by home equity gains.

Ontario is expected to show the strongest shift back toward a market dominated by first-time buyers. This is due to significant price declines to date in several key Ontario markets. Price increases in British Columbia and Alberta will keep the move-up market from declining to the same extent. Relatively stable markets in Atlantic Canada will minimize the shift back to first-time demand. In Québec, an end to the current provincial aid program for first-time buyers is expected to cause the move-up market to occupy a larger market share in 1991. ■

continued from page 2 about 20 per cent in Alberta. As a result of lower prices, Edmonton offers a greater number of listings to renter households than Calgary.

Despite a 6.7 per cent increase in the maximum affordable house price for renters in Victoria, the supply of listings which renters could afford remains low at 4.6 per cent. The rise in oil prices caused a 31 per cent increase in average heating costs to $930 from $710. This factor combined with high house prices maintained low accessibility in Victoria.

In Vancouver average renter households can afford only 5.7 per cent of listings because of high prices relative to the incomes of renters. Nevertheless, affordability has improved during the last six months.

Ontario's metropolitan areas can be classified into two groups in terms of accessibility to housing supply. In the first one, which includes Thunder Bay, Sudbury and Windsor, households have access to more than 25 per cent of all residential listings. However, in the second group which covers the metropolitan areas of Southern Ontario and Ottawa, households can afford less than 15 per cent of the supply. This can be explained by the high level of prices relative to incomes and high property taxes which average about $2,000 in the latter group. In Toronto, renters can afford only about 7 per cent of listings because house prices, although declining remain high.

In Québec, the drop in interest rates offset increases in heating costs and property taxes. Chicoutimi-Jonquière reported the greatest number of listings that remain within reach of the average renter household, at about 35 per cent. Montréal and Sherbrooke reported the lowest number (9 per cent) of affordable listings for the average household. In Montréal property taxes average about $2,150. This high tax level combined with high house prices relative to income have eliminated many households from being potential homeowners. While prices in Montréal are not high compared to some centres in Ontario and Vancouver, incomes are also lower, thus making the homes unaffordable.

The supply of houses that renters can afford is high in the Atlantic Region. Renter households in Prince Edward Island have access to 72 per cent of the listings. In St. John's, they can afford more than 50 per cent of total listings and in Saint John about 41 per cent. In Halifax renters can afford at least one third of listings.

The forecast for lower interest rates, combined with declining or relatively stable house prices, should continue to improve the size of the supply which renters can afford in most metropolitan areas in 1991. However, higher heating costs due to rising energy costs, and higher property taxes, especially in Québec, will make home ownership more expensive in some centres. ■

DEFINITIONS:

SUPPLY INDICATOR (pages 4 & 5)

Household Income:
Average income of private renter households aged 20 to 44 and with income above core need income thresholds. Core need income thresholds are the eligibility income levels for NHA social housing programs.

Renter Household Types:
Renter households are either classified as a non-family household which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total household refers to all households, family and non-family.

Maximum Affordable House:
Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment at the current mortgage rate and a 10 per cent down payment.

Supply Available:
The per cent of MLS listings at and below the maximum affordable house price.

Most Prevalent House Type:
The house types most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

AFFORDABILITY INDICATOR (page 8)

Potential First-Time Home Buyer:
All income earning renter households, distinguished as either family or non-family, between the ages of 20 and 44, including core need.

Average Starter House Price:
The average starter house price is that of the NHA insured home which include the following house types; single, semi-detached, row, mobile and apartment condominium. NHA insured homes are typically purchased by young first-time buyers with less than 25 per cent downpayment. The price was calculated on the average for each six-month period.

Property Taxes:
Property taxes representative of a starter home. Data are from Statistics Canada.

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Heating Costs:
Average heating costs representative of a starter home. Data are from Energy, Mines and Resources.

Monthly Total Carrying Costs:
Total of monthly payments required for principal, interest, taxes and heating costs.

Income Required to Carry a Mortgage:
The income necessary to service the mortgage payments at current interest rates assuming a 32 per cent gross debt service ratio.

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization. An interest rate of 13.5 per cent was used for the first half of 1990 and 12.5 per cent for the second half of 1990.

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREAS (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JUL-DEC 1990	JAN-JUN 1990	JUL-DEC 1990	JAN-JUN 1990	JUL-DEC 1990	JAN-JUN 1990**	JUL-DEC 1990	JAN-JUN 1990	JUL-DEC 1990	JAN-JUN 1990**	JUL-DEC 1990	JAN-JUN 1990**
Victoria	121,330	118,940	1,193	1,249	1,916	1,845	930	710	1,430	1,462	53,620	54,810
Vancouver	134,850	142,360	1,311	1,468	1,860	1,803	410	410	1,500	1,653	56,260	61,980
Edmonton	86,240	85,270	849	895	1,811	1,695	450	450	1,037	1,074	38,900	40,270
Calgary	101,190	104,690	996	1,099	1,814	1,770	440	440	1,184	1,283	44,390	48,120
Saskatoon	64,500	63,920	635	671	1,428	1,405	570	570	801	836	30,050	31,340
Regina	57,670	59,910	568	629	1,657	1,589	560	560	752	808	28,220	30,300
Winnipeg	63,310	64,020	623	672	2,189	1,973	670	640	861	890	32,300	33,370
Thunder Bay	80,880	84,430	796	886	1,520	1,383	730	730	984	1,062	36,890	39,840
Sudbury	85,020	85,940	837	902	1,637	1,422	700	700	1,032	1,079	38,690	40,470
Windsor	84,420	84,550	831	888	1,598	1,566	540	520	1,009	1,061	37,840	39,800
London	113,360	110,380	1,116	1,159	1,684	1,518	590	570	1,305	1,333	48,950	49,980
Kitchener	129,780	135,280	1,267	1,402	1,929	1,715	590	570	1,477	1,593	55,380	59,730
St.Catharines-Niagara	99,160	98,170	976	1,031	1,593	1,429	520	520	1,152	1,193	43,200	44,740
Hamilton	127,860	130,830	1,250	1,361	2,057	1,811	580	560	1,470	1,558	55,110	58,440
Toronto	179,640	192,030	1,703	1,932	2,203	2,019	570	570	1,934	2,148	72,530	80,540
Oshawa	143,750	151,950	1,389	1,558	1,930	1,750	550	550	1,596	1,750	59,840	65,610
Ottawa	117,730	115,970	1,159	1,217	2,561	2,369	620	620	1,424	1,467	53,400	55,000
Hull	78,510	77,630	773	815	1,815	1,700	1,000	930	1,007	1,034	37,780	38,780
Montréal	89,940	89,140	885	936	2,115	1,932	980	910	1,143	1,173	42,870	43,970
Trois-Rivières	59,600	58,530	587	614	1,510	1,368	1,040	970	799	809	29,970	30,350
Sherbrooke	62,730	66,760	617	701	1,518	1,354	980	910	826	890	30,960	33,360
Québec	68,380	66,330	673	696	1,847	1,706	1,070	990	916	921	34,360	34,540
Chicoutimi-Jonquière	55,030	57,990	542	609	1,328	1,215	1,110	1,030	745	796	27,930	29,850
Saint John	61,640	63,350	607	665	810	782	1,210	930	775	808	29,070	30,290
Halifax	81,640	84,100	804	883	1,438	1,350	1,070	810	1,013	1,063	37,970	39,860
St. John's	72,300	68,710	712	721	893	881	1,320	970	896	876	33,600	32,840
P.E.I.*	61,110	58,950	601	619	961	927	1,010	910	766	772	28720	28,950

** Provincial price level used due to data limitations.*
*** Revised Data.*

SOURCE: CMHC, Statistics Canada & Energy, Mines & Resources

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
April 1991

Housing Demand of Older Canadians

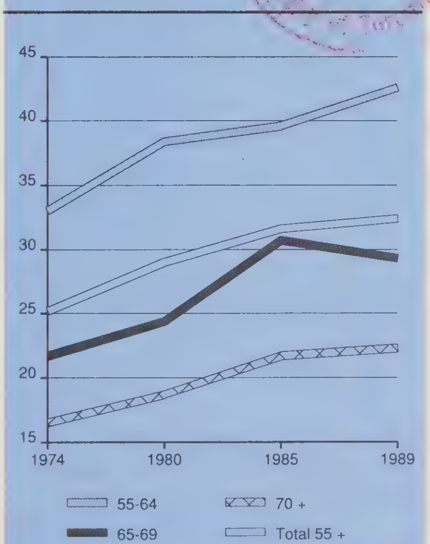
As a group, Canadians 55 and older are increasing three times faster than the rest of the population. For the housing industry, older adults have different needs than younger adults. They are also less mobile, which makes them less likely to buy or rent different accommodation. However, given the sheer size of this age group in the future, it will make its presence known and demand housing products that were not common ten years ago. Trends in the late 1970's and early 1980's have left most older Canadians more affluent and in a better position to buy housing more suited to their changing lifestyles. The following is an overview of these economic and demographic changes as they affect Canadians and housing markets.

Older Canadians Growing More Affluent

On average, incomes of older Canadian households, or households with heads 55 and over, are up 29 per cent in real terms since the early 1970's. Their average incomes rose from $25,200 in 1974 to $32,400 in 1989, in 1989 dollars. Pensions were up from $600 to $3,800 in real dollars, government transfer payments were up from $4,500 to $8,100, and investment income was up from $2,800 to $4,000. Earnings declined in importance relative to total incomes because seniors are retiring sooner. The labour force participation rate for persons 65 to 69 dropped from 46.5 per cent in 1966 to 18.4 per cent in 1986 for men and from 10.9 per cent to 7.1 per cent for women.

Average real incomes among households with heads aged 55 to 64 rose 29 per cent from $33,000 to $42,600 in 1974-1989. For heads 65 to 69, household incomes rose 35 per cent from $21,700 to $29,300. This group saw the greatest gains in 1980-85 when high interest rates boosted pension and investment incomes and lagged afterwards when low interest rates in 1985-88 had a reversed effect. Ontario had the highest average income for older households, $37,500 in 1989. It also showed the steadiest income growth throughout the 1980's due to the province's economic prosperity at the time. Income growth was strongest in the Atlantic region where it rose 51 per cent between 1974 and 1989, although the size of this increase is most likely because of an increase in the number of income earners per household.

Average Incomes of Households With Heads Aged 55 and Over (1989 $000s)



SOURCE: Statistics Canada HIFE Surveys 1974-89

Older Canadians who owned a house throughout the 1980's have had the added benefit of large home equity gains. With inflation falling below five per cent after 1983 and home values continuing to appreciate in many regions by more than ten per cent yearly until 1989, many elderly homeowners now possess a sizeable real estate asset. The average home equity for older homeowners increased by about 79 per cent to $89,100 in 1988 from $49,890 in 1972 when measured in 1988 dollars. This is based on householder's estimates of the value of their own homes and mortgages. Average equities among older homeowners were highest in Ontario ($120,200) and British Columbia ($81,100) and lowest in the Atlantic region ($48,300) in 1988.

Elderly Increasingly Mobile

A total of 248,200 households with heads aged 55 and over moved in 1988, up 56 per cent from 159,400 in 1982. This greatly exceeded growth in *continued on page 6*

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Local Indicators Point to Weak Housing Markets

As the Canadian economy entered a recession in the second quarter of 1990, economic and housing activity weakened in all census metropolitan areas. This overall weakness is expected to continue in most markets in the first half of 1991, but in most centres the housing sector is expected to lead the recovery in the second half of the year. Housing market recovery will be spurred by declining mortgage interest rates and increased consumer confidence resulting from improved labour markets. The following outlook for local markets in 1991 is based on forecasts of key economic and housing market indicators shown in the table on pages four and five.

. . . in most centres the housing sector is expected to lead the recovery . . .

New Home Market

The total number of starts for Canada in 1991 is forecast to be 152,000 units, down 16 per cent from the 181,630 units started in 1990. Starts will increase 20 per cent to 182,000 units in 1992. While 1991 starts of 152,000 will be the lowest level since 1985, starts will remain above the levels recorded during the 1981/82 recession. Although lower levels of both single-detached and multiple unit starts will contribute to the decline, a sharp drop in multiples, particularly condominium unit starts, will be a major factor.

The level of housing activity will remain weak throughout the first half of 1991 before recovering during the second half of the year. The recovery will be gradual as a result of high debt loads, rising unemployment, high inventories and consumer uncertainty. Although the recovery will be dampened by the preceding factors, it will not take as long as the period following the 1981/82 recession before housing starts reach levels consistent with annual housing requirements of around 200,000.

Resale Activity

Sales of existing units will begin to recover prior to house building activity and consequently are forecast to increase by a modest two per cent in 1991 compared to a further decline in new construction. Price increases will be modest over the forecast period, averaging approximately five per cent.

Weak demand and excess supply will limit price increases in most provinces during the next two years, although there will be a few exceptions. Both Alberta and Newfoundland, fuelled by above average growth, will lead the country with prices increasing by approximately eight to nine per cent. Most other provinces are expected to post gains in the range of one to seven per cent. It will likely be the second half of 1991 before the sales-to-listing ratios increase sufficiently to restore balanced market conditions in most metropolitan areas.

Starts to Decline in B.C. Markets

In spite of the national recession which began in 1990, Victoria and Vancouver reported some of the highest growth in employment at 2.6 per cent and 3.6 per cent respectively. Positive employment growth will continue in 1991, although at a much slower pace. In BC's two metropolitan areas, the housing sector weakened significantly in the second half of 1990 because of the weaker economic growth and higher interest rates. The lower demand for housing and high inventories resulted in starts dropping about 20 per cent in both centres and resales falling 24 per cent in Victoria and 40 per cent in Vancouver. In Victoria, the resale market will continue to be weak in the first half of 1991 before heading towards a recovery in the second half of the year. However, the recovery will not be strong enough to post positive annual changes in resales. In Vancouver, the resale market will start recovering in the second quarter and resales are expected to have increased about 12 per cent by the end of the year. The recovery of the new housing market will be slow because of weaker economic conditions, a large unsold inventory of condominiums and reduced migration. Starts are forecast to fall by as much as 38 per cent in Victoria and 33 per cent in Vancouver. Prices for new and existing houses are expected to decline in both metropolitan centres on the West Coast as weak housing markets allow for price corrections in 1991 after having experienced strong increases in 1990.

Vacancy rates are expected to ease in both Victoria and Vancouver as a result of reduced migration and an increase in supply of rental units.

Strong Prairie Resale Market

On the Prairies, different levels of economic growth are foreseen for 1991, ranging from moderate to slow growth.

continued on page 3

Accordingly, housing indicators will show only partial signs of recovery.

In 1991 the economy is expected to be the strongest in Calgary and Edmonton with employment growth of around 1.5 per cent as a result of investments in natural resource related sectors such as oil exploration, drilling activities, natural gas pipeline expansions and forestry projects in the province. Winnipeg, Regina and Saskatoon will, however, experience limited employment growth. Uncertainty combined with weak demand for Manitoba's export products and a continuing weak agriculture sector in Saskatchewan will produce few job opportunities in 1991 thereby maintaining the low demand for housing.

Housing starts are expected to decrease in 1991 in all Prairie metropolitan areas with the exception of Saskatoon which recorded a 16 per cent drop in 1990. Resale markets are expected to recover in the second half of the year with all areas forecasting higher sales volumes of existing housing for the year. The stronger economic growth in Alberta will stimulate demand for housing and prompt relatively high price increases for both new and existing homes, ranging from seven to eight per cent. In Saskatoon, single new house prices are forecast to increase by as much as six per cent reflecting the fact that the new houses are targetted essentially to move-up buyers. In Regina and Winnipeg, prices for new homes will increase by approximately two per cent and resale prices will show slight declines.

Vacancy rates will improve in both Saskatchewan's and Manitoba's metropolitan areas as a result of a decrease in out migration combined with a reduced number of rental projects being completed. However, these markets will continue to be in an oversupplied position this year. In Alberta, demand will continue to outpace supply during the first half of 1991 and result in vacancy rates of less than two per cent.

Weak Housing Demand in Ontario

Ontario's economy slipped into a recession in the third quarter of 1990. The decline is expected to last five quarters, with positive growth not occurring until the fourth quarter of 1991. Declining real investment expenditures and reduced levels of exports and consumer spending have combined to produce the current recession. As a result, limited employment opportunities and higher unemployment are expected to continue in all metropolitan centres in 1991.

. . . stronger economic growth in Alberta will stimulate demand for housing . . .

In spite of a continuing decline in interest rates, the demand for housing will be weak. Housing starts, resales and house prices are forecast to post either declines or very modest increases in most CMA's in the province. In Toronto, the resale housing market is already leading the recovery, and sales are expected to post an overall increase of one per cent for the year. Starts, however, will decline about 10 per cent because of the current over supply of condominiums. Prices will not recover sufficiently in the last half of this year to post overall increases.

Vacancy rates in Ontario's metropolitan areas are expected to ease further at least during the first half of 1991 as a result of slower growth of households in the young age groups. Most of the markets will record rates above one per cent, except Ottawa and Sudbury where they will remain below one per cent.

Québec Housing Markets to Decline

Despite lower sales and starts activity, prices remained relatively firm in Québec housing markets in 1990. However, declines are expected in 1991 as job creation weakens and unsold inventories remain high.

In Montréal, job opportunities will be fewer as total employment is expected to fall by 2.0 per cent. Employment growth in other metropolitan centres will either be somewhat weak or negative as in the cases of Trois-Rivières and Sherbrooke. The housing market, will contract in 1991 with starts decreases ranging from 9.6 per cent in Chicoutimi to 27 per cent in Trois-Rivières.

Resale activity is also expected to be lower in 1991 with declines ranging from 3 per cent in Montréal to 15 per cent in Sherbrooke. Weak demand will be due to low consumer confidence and high unemployment caused by a downturn in economic activities. Moreover, the high level of debt of Québecers will induce consumers to be cautious in 1991, especially after the introduction of a new provincial sales tax on

continued on page 8

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicator semi-annually. Enquiries regarding subscription should be directed to: Manager, Marketing & Communications, CMHC Market Analysis Centre, 682 Montreal Road, Ottawa, Ontario K1A 0P7. Tel.: (613) 748-2286 or Fax: (613) 745-1741. Comments and requests for additional information may be referred to Sharon Olm, Manager, Local Markets Analysis, Market Analysis Centre, Ottawa. Tel.: (613) 748-2582.

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	3 UNIT STRUCTURES VACANCY RATES OCT. %
Victoria	1989	122,000		3,247		177,000		7,973		150,930		0.5†	0.2†
	1990	125,170	2.6	2,588	-20.3	219,000	23.7	6,080	-23.7	179,200	18.7	0.7†	0.8†
	1991*	125,500	0.3	1,600	-38.2	202,000	-7.8	5,850	-3.8	164,800	-8.0	1.0	1.6
Vancouver	1989	761,580		21,834		215,000		47,722		244,190		0.5†	0.4†
	1990	789,170	3.6	17,970	-17.7	288,000	34.0	28,766	-39.7	267,800	9.7	0.9†	0.9†
	1991*	797,000	1.0	12,000	-33.2	260,000	-9.7	32,200	11.9	248,000	-7.4	1.5	1.5
Edmonton	1989	364,000		4,817		139,000		10,786		97,550		3.6	2.1
	1990	367,000	0.8	5,921	22.9	159,680	14.9	9,944	-7.8	110,470	13.2	2.6	1.8
	1991*	373,000	1.6	5,600	-5.4	172,000	7.7	10,500	5.6	119,300	8.0	1.9	1.4
Calgary	1989	357,000		6,228		142,330		18,514		111,840		1.8	1.2
	1990	360,570	1.0	7,004	12.5	176,540	24.0	15,630	-15.6	127,000	13.6	2.7	2.0
	1991*	365,600	1.4	6,700	-4.3	188,900	7.0	15,892	1.7	137,000	7.9	1.7	2.2
Saskatoon	1989	85,000		488		116,600		2,541		75,690		10.1	8.8
	1990	85,000	0.0	410	-16.0	123,400	5.8	2,300	-9.5	76,390	0.9	10.1	7.4
	1991*	85,000	0.0	450	9.8	130,800	6.0	2,500	8.7	75,630	-1.0	9.0	6.0
Regina	1989	89,800		597		117,800		2,610		72,340		8.1	6.5
	1990	90,600	0.9	471	-21.1	122,380	3.9	2,453	-6.0	71,420	-1.3	7.6	5.0
	1991*	90,000	-0.7	400	-15.1	124,830	2.0	2,600	6.0	72,800	1.9	6.5	4.5
Winnipeg	1989	309,000		2,977		118,000		9,400		85,970		4.6	6.5
	1990	311,000	0.6	2,147	-27.9	120,000	1.7	8,431	-10.3	83,940	-2.4	5.7	6.4
	1991*	313,000	0.6	1,750	-18.5	122,500	2.1	8,700	3.2	82,350	-1.9	5.7	5.1
Thunder Bay	1989	61,000		510		152,220		1,136		94,740		1.7	1.1
	1990	62,700	2.8	629	23.3	179,760	18.1	757	-33.4	101,990	7.6	2.0	1.0
	1991*	61,500	-1.9	670	6.5	207,090	15.2	1,000	32.1	106,580	4.5	1.1	1.2
Sudbury	1989	60,900		1,344		151,200		2,461		97,720		0.9	0.4
	1990	61,300	0.7	1,468	9.2	150,000	-0.8	1,997	-18.9	108,170	10.7	0.6	0.7
	1991*	60,900	-0.7	1,000	-31.9	150,000	0.0	1,900	-4.9	108,750	0.5	0.8	0.6
Windsor	1989	127,000		1,676		160,090		5,305		97,610		1.4	1.3
	1990	123,000	-3.1	1,588	-5.3	195,950	22.4	3,949	-25.6	104,840	7.4	2.1	2.5
	1991*	121,000	-1.6	1,321	-16.8	198,000	1.0	4,000	1.3	103,000	-1.8	2.9	3.0
London	1989	165,000		4.634		196,770		6,771		128,580		2.9	2.4
	1990	160,000	-3.0	2,905	-37.3	227,430	15.6	5,466	-19.3	134,910	4.9	2.9	2.8
	1991*	158,500	-0.9	2,413	-16.9	245,000	7.7	5,400	-1.2	136,250	1.0	3.2	2.9
Kitchener	1989	181,750		4,362		171,590		5,190		154,710		0.6	0.6
	1990	177,000	-2.6	2,981	-31.7	248,570	44.9	3,501	-32.5	159,720	3.2	1.3	1.3
	1991*	174,000	-1.7	2,950	-1.0	230,000	-7.5	3,500	0.0	154,000	-3.6	2.2	2.2
St. Catharines-Niagara	1989	140,200		3,572		173,650		3,545		121,030		1.2	1.1
	1990	151,100	7.8	2,506	-29.8	199,040	14.6	2,275	-35.8	134,390	11.0	1.9	2.1
	1991*	148,700	-1.6	2,130	-15.0	190,000	-4.5	2,400	5.5	138,500	3.1	2.3	2.3
Hamilton	1989	312,000		4,183		240,050		11,224		163,250		0.5	0.6
	1990	317,000	1.6	2,969	-29.0	268,470	11.8	7,116	-36.6	165,000	1.1	0.9	1.3
	1991*	311,000	-1.9	2,800	-5.7	250,000	-6.9	7,500	5.4	157,500	-4.5	1.3	1.5

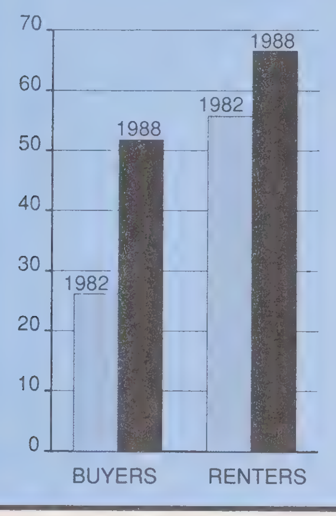
Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Toronto	1989	1,940,000		35,184		263,000		38,960		282,000		0.3	0.4
	1990	1,931,000	-0.5	18,723	-46.8	351,000	33.5	26,779	-31.3	261,000	-7.4	0.7	1.0
	1991*	1,878,000	-2.7	16,875	-9.9	295,000	-16.0	27,000	-0.8	253,000	-3.1	1.2	1.3
Oshawa	1989	99,000		3,509		236,000		5,192		186,020		0.3	0.8
	1990	102,000	3.0	2,189	-37.6	223,800	-5.2	3,847	-25.9	165,370	-11.1	1.6	1.8
	1991*	100,000	-2.0	2,030	-7.3	209,000	-6.6	3,500	-9.0	160,000	-3.2	1.5	1.2
Ottawa	1989	371,000		5,624		196,400		9,399		153,900		2.1	1.5
	1990	375,000	1.1	4,860	-13.6	205,400	4.6	8,249	-12.2	160,100	4.0	1.9	0.5
	1991*	376,000	0.3	4,225	-13.1	208,500	1.5	8,500	3.0	163,300	2.0	0.8	0.3
Hull	1989	97,000		2,813		108,700		1,388		93,650		3.5	3.2
	1990	99,000	2.1	3,309	17.6	125,220	15.2	1,298	-6.5	98,320	5.0	3.6	4.2
	1991*	100,000	1.0	2,590	-21.7	130,230	4.0	1,246	-4.0	101,260	3.0	5.0	4.6
Montréal	1989	1,425,300		21,650		123,000		17,650		113,550		4.2	4.7
	1990	1,430,000	0.3	21,100	-2.5	132,000	7.3	15,669	-11.2	115,760	1.9	4.5	5.4
	1991*	1,400,000	-2.1	17,450	-17.3	135,000	2.3	15,190	-3.1	118,710	2.5	5.5	5.6
Trois-Rivières	1989	54,330		1,173		75,000		673		69,000		5.7	5.3
	1990	52,920	-2.6	1,400	19.4	76,500	2.0	574	-14.7	69,500	0.7	6.1	7.6
	1991*	52,215	-1.3	1,025	-26.8	78,000	2.0	505	-12.0	71,500	2.9	6.6	6.6
Sherbrooke	1989	62,600		1,412		79,340‡		1,400‡		79,500		6.9	8.5
	1990	62,800	0.3	1,180	-16.4	95,240‡	20.0	1,400‡	0.0	78,650	-1.1	7.3	9.7
	1991*	62,300	-0.8	890	-24.6	87,000‡	-8.7	1,190‡	-15.0	75,000	-4.6	8.0	8.8
Québec	1989	282,000		6,300		87,120		4,838		80,700		4.1	4.3
	1990	294,000	4.3	5,972	-5.2	91,000	4.5	4,400	-9.1	81,600	1.1	4.1	5.7
	1991*	297,000	1.0	4,800	-19.6	97,000	6.6	3,800	-13.6	81,600	0.0	4.5	4.5
Chicoutimi-Jonquière	1989	57,500		1,050		83,500‡		1,499‡		63,000		5.1	4.9
	1990	58,750	2.2	1,128	7.4	86,750‡	3.9	1,600‡	6.7	66,000	4.8	3.2	5.1
	1991*	59,000	0.4	1,020	-9.6	90,000‡	3.7	1,600‡	0.0	67,500	2.3	4.5	6.0
Saint John	1989	51,000		570		90,630		1,218		78,910		4.3	3.8
	1990	54,000	5.9	589	3.3	95,680	5.6	1,130	-7.2	80,700	2.3	3.9	4.1
	1991*	55,000	1.9	460	-21.9	100,000	4.5	1,100	-2.7	84,750	5.0	3.8	3.6
Halifax	1989	156,200		2,694		116,100		3,984		105,600		4.4	3.3
	1990	161,000	3.1	2,647	-1.7	120,000	3.4	4,004	0.5	109,750	3.9	4.1	3.5
	1991*	161,000	0.0	2,300	-13.1	124,200	3.5	3,700	-7.6	114,000	3.9	4.1	3.6
St. John's	1989	70,600		1,506		119,500		1,956		83,270		7.3	4.7
	1990	73,900	4.7	1,434	-4.8	122,500	2.5	1,939	-0.9	88,940	6.8	4.6	1.8
	1991*	75,500	2.2	1,550	8.1	131,000	6.9	2,100	8.3	97,000	9.1	2.9	2.6
P.E.I.‡‡	1989	54,000		815		98,120‡		540		1,530		4.0	3.0
	1990	55,000	1.9	762	-6.5	110,920‡	13.0	620	14.8	69,690	-2.6	5.5	3.0
	1991*	55,000	0.0	500	-34.4	104,000‡	-6.2	650	4.8	72,000	3.3	6.0	4.3

** Forecast*
† Six units and over
‡ Other source than MLS Boards.
‡‡ CMA is not used due to data limitations. Data refer to the province except for Vacancy Rates and single new house price which apply to Charlottetown.
SOURCE: CMHC and MLS Boards

continued from page 1 the number of older households, which rose 17 per cent from 2,706,800 to 3,163,800, and indicates a marked increase in mobility among older Canadians through the 1980's. Much of this was due to stronger real estate markets in most regions which increased opportunities for people selling their homes before buying or renting another.

Household and Mobility by Elderly Canadians 55 - 64 (000s)



SOURCE: Statistics Canada HIFE Surveys 1983-89

The mobility rate, or percentage of older households moving in a year, was up from 5.9 per cent to 7.8 per cent between 1982 and 1988. The highest mobility rate in Canada was in British Columbia where it increased from 7.8 per cent to 11.2 per cent. The increase in mobility rates was weakest in the Atlantic and Prairie regions, which had the least dynamic housing markets in the late 1980's. Households in all age groups became more mobile in the 1980's, so that older households remained about half as mobile as the general population.

Of the 248,200 households with heads 55 and over that moved in 1988, an estimated 17,400 moved into a different province based on moving patterns in 1981-86. The strong homebuying market among older British Columbians is at least partly linked to the high number of older Canadians moving to that province after retirement. Trends show that climate and area amenity are important factors in relocation. As expected, British Columbia had the most net senior migrants in 1981-86, i.e., 4,035 persons or 800 yearly aged 65 and over. More retirement communities have been developed in that province than in other parts of the country. Areas of rapid growth include the Okanagan Valley and parts of Vancouver Island where the senior population is approaching 20 per cent as a result of this influx. This 65+ population is the fastest growing, increasing by 4.4 per cent yearly. B.C. bound movers originated from all regions except the Atlantic Region. In Ontario, which is the second most popular destination, most movers originated from Quebec.

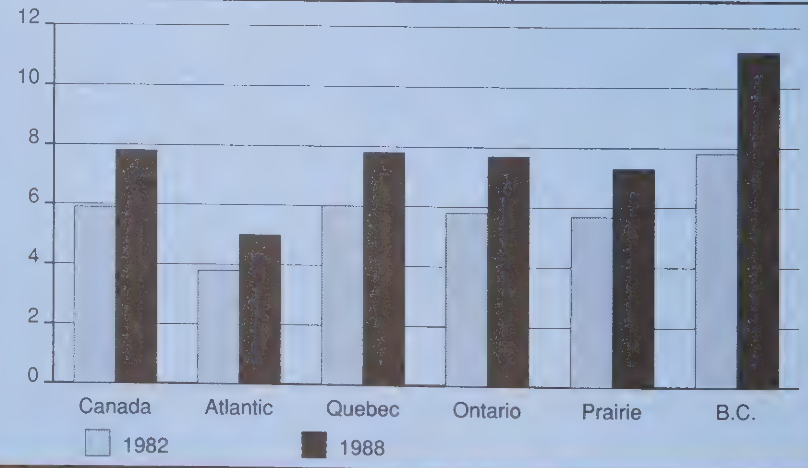
Most Older Renters Who Move, Move Into Apartments

Of the 248,200 households with heads 55 and over that moved in 1988, 153,400 or 62 per cent moved into rental accommodation. Of these, 80 per cent moved into apartment units. About 34,400 or 22 per cent of the 153,400 renters owned their previous dwellings, down from 26 per cent in 1982. This indicates a trend away from cashing in home equity by moving into rental housing as older Canadians have grown more financially secure. Yet, Ontario which had the fastest rising house prices in 1988 also had the highest incidence of older movers who owned their previous dwellings. This indicates that in fast selling real estate markets, older homeowners may cash in their home equity sooner. Approximately 14,900 or 32 per cent of older households that moved in Ontario owned their previous dwelling in 1988, up from 28 per cent in 1982.

Homebuyers Looking More to Condominiums

Of the 248,200 households with heads 55 and over that moved in 1988, about 94,900 bought homes, up 110 per cent from 45,200 in 1982. This indicates a burgeoning "empty-nester" market in the late 1980's. Of the total buyers, 69 per cent were previous owners while 31 per cent were previous renters. The most popular products were single detached houses, which made up 58,900 or 62 per cent of purchases, and condominium apartments which made up continued on page 7

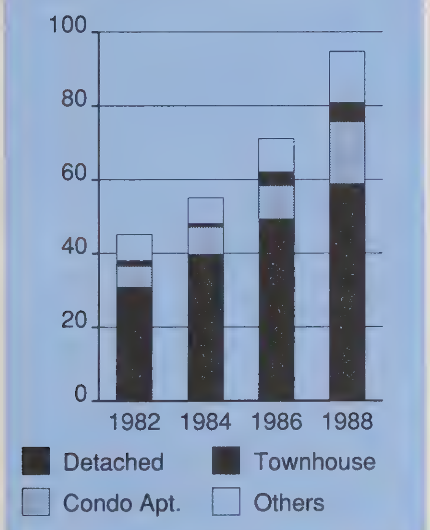
Percentage of Elderly Households Moving by Region



SOURCE: Statistics Canada HIFE Surveys 1983-89

continued from page 6 17,100 or 18 per cent. Condominium apartments as a proportion of homes bought by older Canadians, was up from 13 per cent in 1982 to 18 per cent at the expense of detached houses. This is due to rising land prices and a growing recognition of the lifestyle advantages of this product for older home buyers. Condominium apartments were particularly popular in larger centres with populations above 500,000, i.e., in markets with the highest land costs. Eighty per cent of condominium apartments sold to older buyers (14,100 units), were sold in these larger centres. Condominium apartments were especially popular for the oldest buyers, and 10,000 condo apartment buyers were 65 and over.

Buyers 55 and up by Year and Product Choice (000s)



SOURCE: Statistics Canada HIFE Surveys 1983-89

Proportionally more condominium apartments were sold to older buyers in Ontario. The 10,500 units sold in Ontario in 1988 constituted 62 per cent of the units sold to people 55 and over across Canada. This is due to the influence of the large Toronto market where single family ownership is relatively less affordable.

The Impact of Older Canadians on Housing Markets

The proportion of Canada's market taken up by buyers 55 and over grew from 14 per cent of the 320,000 home sales in 1982 to 18 per cent of Canada's 534,000 home sales in 1988. The largest gains occured in British Columbia and Ontario where older buyers bought over 20 per cent of all homes sold in 1988 (up from 14 per cent in 1982 in Ontario). By contrast, older buyers in other regions took up less than 13 per cent of sales. Older homeowners in B.C. and Ontario have the largest home equities, providing more purchase funds for active pre and post retirement homebuying. As a result, condominium demand in both provinces tipped in the direction of elderly buyers who occupied 33 per cent of this market in Ontario and 47 per cent of the market in B.C. in the 1980's. By contrast, older buyers only had an 18 per cent market share of this market in Quebec where condominium apartments were dominated more by younger first-time buyers. There is a definite long term demand for condominium apartments which meet the requirements of older buyers in larger B.C. and Ontario markets.

Homeownership Market by Older Canadians in its Infancy

Older Canadians will continue to make up a larger part of our population, and market opportunities among older buyers are expected to increase for builders and real estate brokers. The proportion of persons 65 and over will rise from about eleven per cent today to 15 per cent in 2011 and 23 per cent in 2031. While demand growth for housing products from buyers 55 and over will strengthen in the 1990's due to increased pension incomes, the strongest growth in demand will commence after the year 2000 when the the large post-war "baby boom" generation starts reaching the age of 55.

For now, the period of most rapid growth in this century has already occurred for the population 65 and over. It grew by 3.5 per cent annually between 1976 and 1991, and the rate of growth is now expected to fall back to 2.5 per cent because of the smaller number of persons in the current 55-65 age group.

The growth rate of the 55-65 age group will increase only slightly from 0.5 per cent in 1986-91 to 0.8 per cent in 1991-96. Thereafter, it will accelerate to 2.8 per cent annually in 1996-2001 and 4.5 per cent in 2001-06 because of the sizable post-war baby boom generation reaching this age level.

Builders or promoters entertaining a project for the elderly market should fully understand that market before undertaking a project. Most seniors' advocates warn that seniors are extremely cautious and slow *continued on page 8*

Buyers 55 and up by Region — 1988 (000s)

	Canada	Atlantic	Québec	Ontario	Prairies	B.C.
Product Choice						
Detached	58900	3500	9600	25300	7400	13100
Condominium Apt.	16900	100	2300	10500	800	3200
Townhouse	5200	100	300	2900	400	1500
Others	13900	700	1200	5700	1600	4600
Total	94900	4400	13300	44300	10300	22500

SOURCE: Statistics Canada HIFE Surveys 1989

continued from page 7 to change. This market is highly cyclical and hinges on local real estate market conditions. A careful market analysis review of project viability and a detailed marketing plan is highly advisable before any development.

New Tenancy Options for the 1990's

A number of factors are expected to encourage older Canadians to purchase homes in the 1990s. New forms of residential tenancy have been introduced to increase buyer options and fill the price gap between condominiums and rental projects. These include resident funded co-operatives and non profit arrangements which tap into community groups and defray condominium marketing costs. To date, projects have been developed in Vancouver, Winnipeg, Toronto and Regina. Other new arrangements being promoted by CMHC include "life tenancy", where the purchase is limited to the occupant's life span, and "shared equity", where the builder and occupant share the costs and benefits of home equity. It is hoped that these ideas will successfully combine community living and security of tenure at a reduced cost.

New housing options to assist older buyers.

Better health conditions and provincial initiatives to care for the elderly at home are expected to reverse a long term trend to institutional living, eg. seniors in retirement and nursing homes. After rising for several decades, the rate of institutionalization has apparently started a decline, with the proportion of 80-84 year old females in institutions down from 18 to 17.2 per cent between 1981 and 1986, and the number of males down from 12.2 to 11.8 per cent.

To help older buyers with home equity to "stay in place" new products are being introduced such as reverse mortgages, that permit homeowners to take out equity for home repairs or living costs. These include sale plans such as life estate arrangements and sale leasebacks which involve the outright sale of the home to an investor with provisions for lifetime possession. ■

continued from page 3 services, furniture, clothing and shoes. However, the provincial program "Mon taux, mon toit", which offers a lower interest rate for new houses and municipal programs aimed at reducing property taxes for newcomers, should stimulate housing sales activity in the second half of 1991.

As a result of the weak economic growth and housing demand in the first half of 1991, overall prices for the year will be low, varying from no growth to about 6.6 per cent for new and existing houses. Only Sherbrooke will experience a sharp decline in both housing starts and resale activity.

Vacancy rates will continue to remain relatively high due to the continued trend towards homeownership, decreased employment opportunities for young workers and the large numbers of residences for the elderly. In October 1991, vacancy rates will range from 4.5 per cent in Québec City to 8.8 per cent in Sherbrooke.

Housing to Lead Recovery in Atlantic

With the exception of Newfoundland, local markets in the Atlantic provinces will experience weak economic growth throughout 1991. However, the housing sector is expected to lead the overall recovery and start improving in the second half of 1991.

The spin-off effects of the Hibernia project in Newfoundland will offset the impact of the national recession in St. John's. Total employment is expected to grow in 1991 by 2.2 per cent. This situation will benefit the housing market as starts are forecast to be above 1989 and 1990 levels. Resale activity is expected to rebound after last year's small decrease. Consequently, house prices are expected to increase by as much as nine per cent for new houses and 6.9 per cent for existing ones.

In the other Atlantic Provinces weak employment growth is expected in Saint John and stagnation in Prince Edward Island (PEI) and in Halifax. This combined with an oversupply of housing will result in a decline in both starts and resales. A reduced number of multiple projects in PEI and to a lesser extent in Saint John will be largely responsible for the lower number of starts in 1991. In PEI, resales will increase due to activities generated by the closing of the military base in Summerside and limited construction of new units.

New and resale house prices are expected to grow moderately at around three to five per cent in Saint John and Halifax. New house prices will decrease in PEI as a result of the weak demand. Resale house prices are expected to increase by about three per cent.

Vacancy rates are forecast to decline in all Atlantic metropolitan areas. Reduced out migration of renters because of higher unemployment levels in central Canada and fewer rental completions are the main factors contributing to the reduction in vacancy rates. ■

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Affordability Improves in All CMAs in First Half of 1991

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The decline in mortgage interest rates combined with increases in the average household income between December, 1990 and June, 1991, helped to improve affordability in all metropolitan areas (CMAs) during the first half of this year. However, because changes in house prices varied by CMA, the magnitude of the improvement in affordability also varied.

The decline in interest rates from 12.5 per cent in December, 1990 to 11 per cent in June, 1991 for a three year term mortgage was significant enough to offset price increases that occurred in some CMAs during that period. Shorter term rates fell further than this, making homebuying even more affordable. The CMHC affordability indicator, however, uses a three year term rate.

The wide range of change in the per cent of renters who can afford a starter home was also to some extent caused by another factor known as the "clustering". Clustering could be defined as a larger concentration of households in certain income level brackets within the income distribution. When the income required to purchase a starter home is reduced, even marginally, the increase in the per cent of households who can afford to buy is proportionally greater because of this concentration of households. This clustering occurs in every CMA and can have a large or small effect on affordability, depending on how close the cluster is to the income required to buy a home.

continued on page 2

Percent of Renters Who Can Afford To Buy A Home

CENSUS METROPOLITAN AREAS (CMA)	FAMILY JAN.-JUNE 1991	FAMILY JULY-DEC. 1990	NON-FAMILY JAN.-JUNE 1991	NON-FAMILY JULY-DEC. 1990	TOTAL JAN.-JUNE 1991	TOTAL JULY-DEC 1990
Victoria	12.5	12.1	4.7	4.5	9.0	8.6
Vancouver	24.4	17.1	11.4	7.6	17.9	12.4
Edmonton	42.8	35.1	26.5	19.4	35.8	28.4
Calgary	36.4	30.3	22.9	18.1	30.2	24.7
Saskatoon	47.5	39.9	37.8	29.4	42.9	34.9
Regina	47.7	44.9	39.9	37.0	44.1	41.2
Winnipeg	47.9	41.5	33.8	27.0	41.4	34.8
Thunder Bay	50.8	47.3	31.7	28.0	44.0	40.4
Sudbury	35.0	29.5	22.0	18.2	31.0	26.0
Windsor	51.8	42.7	39.7	28.2	47.0	37.0
London	33.4	20.5	17.8	8.8	26.5	15.3
Kitchener	24.4	11.3	13.3	6.9	20.3	9.7
St. Catharines-Niagara	32.1	21.4	20.9	11.6	28.4	18.2
Hamilton	24.6	15.6	11.6	7.1	19.6	12.3
Toronto	21.8	13.0	12.0	7.3	17.7	10.7
Oshawa	27.2	11.3	16.4	7.3	24.1	10.3
Ottawa	34.8	28.4	19.3	15.2	27.8	22.4
Hull	43.7	36.3	29.1	22.5	38.8	31.7
Montréal	39.8	28.8	20.1	12.5	31.7	22.1
Trois-Rivières	42.4	33.5	26.4	18.0	36.5	27.8
Sherbrooke	40.1	34.4	22.7	18.6	33.0	28.0
Québec	51.0	37.1	29.7	18.4	42.3	29.5
Chicoutimi-Jonquière	50.6	43.4	39.9	32.9	48.0	40.8
Saint John	43.5	34.2	36.3	27.2	41.6	32.5
Halifax	42.4	34.4	28.4	22.4	37.0	29.8
St. John's	44.4	40.4	43.6	39.8	44.4	40.4
P. E. I.*	52.6	44.7	41.5	34.5	49.5	41.8

** CMA is not used due to data limitations; see Affordability Table page 5.*
SOURCES: CMHC, Statistics Canada

continued from page 1 Consequently, even a small decline in interest rates may result in a significant increase in the number of households who can potentially qualify to buy a dwelling.

The greatest improvement in affordability was experienced in five markets where the decline in interest rates combined with either stable or declining house prices. In London, Kitchener, Oshawa, Montreal and Quebec City, a large concentration of renter households, with incomes slightly greater than the income required to afford a dwelling, resulted in an improvement of about 10 percentage points. Despite this significant improvement in the number of renter households that can afford to buy a home, London, Kitchener and Oshawa remain among the least affordable markets in Canada because of high prices. In Kitchener 20.3 per cent of renters could afford to buy a house in June, 1991 compared to 9.7 in December, 1990 while average price slightly declined by 2 per cent. Similarly, London showed an increase to 26.5 per cent from 15.3 per cent households capable of buying at the end of last year, while the average price increased marginally by 0.5 per cent.

In Montreal and Quebec City, the per cent who can afford is now reaching 31.7 and 42.3 per cent respectively. Although, average prices have not declined in these three CMAs, the clustering effect of the income distribution of the renter households contributed to a significant increase in the per cent of renter households who can now afford a dwelling.

Affordability increased to 47.0 per cent in Windsor and 28.4 per cent in St. Catharines-Niagara making these CMA's the most affordable in Ontario. The 10 percentage point increase in affordability in these cities occurred despite increases in the average prices of starter houses. Lower interest rates combined with increases in the average household income enabled households to purchase higher priced houses which resulted in the average price increasing 4.0 per cent in Windsor and 5.4 per cent in St. Catharines-Niagara.

In Toronto, prices of homes purchased by first-time buyers marginally declined. Affordability increased from 10.7 per cent to 17.7 per cent as the income required to purchase a starter home decreased from $72,530 to $67,130 as a result of lower interest rates and an increase in the average household income.

Starter home price increases mainly due to purchase of high priced homes rather than a real increase in prices.

Average starter house prices went up by as much as 10 per cent in six CMAs of Western Canada and of Northern Ontario. The rise in average prices is explained by a number of factors. The recession has had a less severe impact on the local economies and consumer confidence. This combined with the lower interest rate, which resulted in a release in the pent-up demand, enabled households to purchase higher priced units. In addition, sales of starter houses in the first half of 1991 were not stimulated by provincial incentive programs for first-time home buyers in Alberta. In spite of this, affordability still improved.

In Vancouver, the decline in interest rates lowered carrying costs and prompted households to buy higher priced units prior to sustained price increases. As a result, the average starter house price rose due to larger numbers of higher priced homes being sold rather than due to a real increase in prices. Moreover, the tight rental market and the escalation of market rents have prompted some rental households to switch tenure. Nevertheless, there was a 5.5 percentage point increase to 17.9 per cent of the number of renter households able to afford. Vancouver is the second least affordable market in Canada after Victoria.

In Victoria, average prices went up by 7.3 per cent for the same reason as in Vancouver. However, because of the lower average household income, affordability increased marginally by 0.4 percentage point. Despite the decrease in interest rates, increasing house prices resulted in only a marginal improvement in affordability to 9.0 per cent of renter households.

In Edmonton and Calgary, the increase in average prices was caused by a decline in the number of houses sold under $100,000 as a result of the termination of the Alberta Family First-Home Program which assisted first-time buyers with the down payment. Despite higher average prices, affordability improved in the two CMAs by 7.4 per cent and 5.5 percentage points respectively.

In some other CMAs such as Winnipeg and Thunder Bay, the rise in the average starter price was due to a less active housing market in the lower price ranges because of the recession. Limited job security has forced households to spend cautiously. Once more, the interest rate declines had a stronger effect than average price increases and affordability has improved in the three CMAs.

In the remaining CMAs of the country, house price stability combined with the declining interest rates resulted in an improvement of affordability from 5 percentage points in Sherbrooke to 9.1 in Saint John.

With interest rates close to their lowest point in the cycle and signs of economic recovery occurring, demand for housing has begun to recover. As the economy slowly recovers, rising house prices, although not expected to be significant, will cause affordability to deteriorate slightly. ■

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Canadian Housing Markets — July 1991

Erratum

The table on page five titled "Costs and Incomes for Affordability Indicator" contains an error.

The July-December 1990 "Income Required to Carry a Mortgage" for St. Catherines-Niagara should read 43,200 and not 43,20.

Marchés de l'habitation canadiens de la SCHL Juillet 1991

Erratum

Le tableau de la page cinq intitulé «Coûts et revenus utilisés pour l'indicateur d'abordabilité» contient une erreur.

Dans la colonne de juillet à décembre 1990 (Revenu requis pour assumer l'hypothèque) pour St. Catharines-Niagara, le chiffre devrait être 43 200 et non pas 43 20.

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Homeownership Around the World

In Canada, homeownership is a tradition. From before confederation, Canada was settled by immigrants wishing to homestead unoccupied land, beginning with the French fur trade and the United Empire Loyalists. In the 1890's, and the 1920's, western Canada was settled through systems of land grants from the government and the railroad. As a result, high rates of homeownership have been experienced, particularly in rural Canada. In more recent years, despite urbanization which tends to increase the level of renters, the majority of urban Canadians also own their own home. The 1986 Census of Canada reported 62.4 per cent of private dwellings were owner–occupied. But, how does Canada compare to other countries?

It is difficult to compare the rates of homeownership around the world as they are influenced by a number of factors, the most obvious being complex government policy and housing finance systems. Furthermore, other factors such as the cost and quality of the supply of housing and land, economic prosperity, population growth, rates of urbanization and cultural values also play important roles in determining the rates of homeownership.

In countries of high economic prosperity and wealth, as measured by high Gross National Product (GNP), high rates of homeownership would be expected. This however, is not always the case.

Acute post-war housing shortages in West Germany and limited land supply have restricted the opportunities for homeownership by increasing costs. As a result, post-war housing construction has been focused primarily on rental tenure and, despite the economic prosperity in this country, only 37 per cent of homes are owner-occupied. The complexity of the mortgage banking system and restrictive policies, which, for example, require low loan to value ratios, have combined with high land and house costs to limit housing supply and restrict homeownership in this country.

Similarly, Switzerland, the country with the highest GNP per capita, also reports the lowest rate of homeownership at 30 per cent (1980). The high housing costs, limited land supply and complex financial structure have created barriers to ownership. Typical of other industrialized countries, the density in the urban centres produced high demand relative to supply prompting high costs. High land costs have discouraged development of new housing needed to address the shortage of both rental and ownership units.

Ironically, the rates of homeownership in developing countries are higher than those of industrialized countries. While most households own their own home in these poorer countries, the quality and size of the homes create housing inequalities. The main factors contributing to these disparities are poverty, rapid population growth and rapid urbanization which are typical of the movement towards industrialization away from an agricultural economic base.

India is an example of where, despite a homeownership rate of 85 per cent (1971), there is an estimated undersupply in 1990 of 29.2 million serviceable homes (National Buildings Organizations, Analysis of Housing Requirements in India). Over 77 per cent of urban households lacked exclusive use of drinking water or access to a toilet. Over half of all households live in only one room and less than 25 per cent have more than three rooms. More than half of the housing stock is constructed with materials such as mud, grass, leaves and bamboo.

Nevertheless, there is a strong motivation to own a home in India. Mobility is limited and homeownership is often inherited. Indians pool the capital of the extended family units and form cooperatives to acquire a home. In urban centres, high density and land shortages make development of the cooperatively owned high rise flats a common housing form. Recently, housing finance systems have become more established which have increased the opportunities for homeownership particularly in the middle-class.

Most other developing far east countries continued on page 4

Per Capita Income Levels and Owner Occupation by Country

Country	GNP per Capita US$ 1984	Owner-Occupation %	Year
Switzerland	16,330	30	1980
USA	15,390	65	1981
Canada	13,280	62	1986
Sweden	11,860	55	1980
Australia	11,740	68	1981
West Germany	11,130	37	1978
Japan	10,630	63	1983
France	9,760	51	1982
United Kingdom	8,570	62	1985
Italy	6,420	59	1981
Brazil	1,720	60	1970
Peru	1,000	81	1981
Philippines	660	89	1970
India	260	85	1971

SOURCE International Housing Finance Factbook 1987, Mark Boleat

continued from page 3 experience similar rates of homeownership and housing quality to India. Japan, by contrast, has ownership rates (62.4 per cent) comparable to western industrialized countries reflecting Japan's high GNP per capita. Urbanization and limited land supply have resulted in a very dense population and expensive housing. However, housing and finance policy have produced low and stable mortgage rates, and relatively small and modest housing to compensate for the high prices.

In the United Kingdom, housing policy is primarily responsible for 61.9 (1985) per cent owned accommodation. The rate has increased dramatically from 43 per cent in 1961. Rent controls and security of tenure legislation have restricted the development of private rental housing and since 1979, publicly owned rental units have been progressively sold off to tenants, contributing to a growing proportion of homeowners. Financing is available for up to 100 per cent of the purchase price and variable mortgage rates have prompted households to own their own home at a much younger age than in most other countries.

Homeownership rates are generally higher in English-speaking industrialized countries than in most other industrialized countries reflecting the cultural values. In North America, despite the differences between the mortgage markets and housing policy, the rate of owner-occupancy in Canada and the United States is virtually the same.

Both Canada and the U.S. have a highly cyclical housing industry. In the U.S., this has created some problems for the mortgage industry. The tendancy to provide long term mortgage financing conflicts with the short term deposits required to fund the mortgages. To respond to this volatility of interest rates, lenders developed innovative mortgage products like adjustable rate mortgages (ARM's). The ARM permits lenders to reduce the spread between deposits and mortgages by more closely matching the terms, thereby permitting lower interest rates. The secondary mortgage market is highly developed in the U.S. and securitization has also contributed to the supply of mortgage funds.

Mortgage interest is tax deductible in the U.S. on personal use property but this appears to have only a marginal impact on the rates of homeownership.

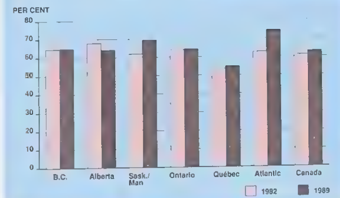
Canadians are well housed, relative to many other countries in the world, with less than 2.0 per cent of occupied housing identified as inadequate. In the post-war period, the trend has been to modestly increasing rates of homeownership largely in response to increased housing construction and changes in the housing finance systems. The post-war construction boom also resulted in a relatively new housing stock. Units completed from 1955 to 1986 represented over 60 per cent of the total 1986 housing stock.

With supply generally meeting demand, overall, ownership is affordable for most Canadians. Mortgage financing is readily available to potential homeowners as a result of a developing secondary mortgage market and recent securitization. The flexibility of mortgage terms which is unique to Canada, has assisted potential homeowners in weathering the more cyclical nature of mortgage rates and house prices in the 1980's. While mortgage rates influence affordability nationally, the rates of homeownership vary geographically due to regional house prices which reflect varied economic bases and performance.

Despite affordability and supply differences, the level of homeownership is fairly consistent across the country. A notable exception is Quebec where less than 55 percent own their own homes. The difference is historically traced to the cultural foundations of the French society where ownership was not valued to the same extent as in English Canada.

Relative to most countries, Canada has succeeded in achieving a very high standard of housing quality and rate of homeownership with limited government involvement. Nevertheless, growing urbanization has produced pockets of housing shortages that have driven prices up. As the Canadian economy continues to move away from an economy based on natural resources and agriculture to a more industrialized base, the more concentrated demand will result in higher costs in urban centres, limiting the opportunities for homeownership. ■

Owner Occupied Housing — Canada



SOURCE Statistics Canada HIFE Surveys 1983-89

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREAS (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JAN-JUN 1991	JUL-DEC 1990	JAN-JUN 1991	JUL-DEC 1990	JAN-JUN 1991	JUL-DEC 1990	JAN-JUN 1991	JUL-DEC 1990	JAN-JUN 1991	JUL-DEC 1990	JAN-JUN 1991	JUL-DEC 1990
Victoria	130,150	121,330	1,156	1,193	1,916	1,916	930	930	1,393	1,430	52,230	53,620
Vancouver	144,020	134,850	1,279	1,311	1,860	1,860	410	410	1,468	1,500	55,050	56,260
Edmonton	92,230	86,240	819	849	1,811	1,811	450	450	1,007	1,037	37,780	38,900
Calgary	108,550	101,190	964	996	1,814	1,814	440	440	1,152	1,184	43,190	44,390
Saskatoon	66,250	64,500	588	635	1,428	1,428	570	570	755	801	28,300	30,050
Regina	57,910	57,670	514	568	1,657	1,657	560	560	699	752	26,210	28,220
Winnipeg	67,620	63,310	600	623	2,189	2,189	670	670	839	861	31,450	32,300
Thunder Bay	88,510	80,880	786	796	1,520	1,520	730	730	973	984	36,500	36,890
Sudbury	87,230**	85,020	775	837	1,637	1,637	700	700	969	1,032	36,349	38,690
Windsor	87,800	84,420	780	831	1,598	1,598	540	540	958	1,009	35,920	37,840
London	113,910	113,360	1,011	1,116	1,684	1,684	590	590	1,201	1,305	45,040	48,950
Kitchener	127,200	129,780	1,129	1,267	1,929	1,929	590	590	1,339	1,477	50,230	55,380
St. Catharines-Niagara	104,490	99,160	928	976	1,593	1,593	520	520	1,104	1,152	41,400	43,20
Hamilton	133,180	127,860	1,183	1,250	2,057	2,057	580	580	1,402	1,470	52,590	55,110
Toronto	175,590	179,640	1,559	1,703	2,203	2,203	570	570	1,790	1,934	67,130	72,530
Oshawa	138,050	143,750	1,226	1,389	1,930	1,930	550	550	1,432	1,596	53,720	59,840
Ottawa	122,810	117,730	1,090	1,159	2,561	2,561	620	620	1,356	1,424	50,830	53,400
Hull	79,960	78,510	710	773	1,815	1,815	1,000	1,000	945	1,007	35,420	37,780
Montreal	91,140	89,940	809	885	2,115	2,115	980	980	1,067	1,143	40,020	42,870
Trois-Rivières	59,550	59,600	529	587	1,510	1,510	1,040	1,040	741	799	27,800	29,970
Sherbrooke	66,730	62,730	592	617	1,518	1,518	980	980	801	826	30,020	30,960
Québec	69,860	68,380	620	673	1,847	1,847	1,070	1,070	863	916	32,380	34,360
Chicoutimi-Jonquière	59,510	55,030	528	542	1,328	1,328	1,110	1,110	732	745	27,430	27,930
Saint John	63,320	61,640	562	607	810	810	1,210	1,210	731	775	27,400	29,070
Halifax	84,150	81,640	747	804	1,438	1,438	1,070	1,070	956	1,013	35,860	37,970
St. John's	74,440	72,300	661	712	893	893	1,320	1,320	845	896	31,700	33,600
P.E.I.*	58,770	61,110	522	601	961	961	1,010	1,010	686	766	25,730	28,720

* Provincial price level used due to data limitations.
** Adjusted price
SOURCES: CMHC, Statistics Canada & Energy, Mines & Resources

CMHC Launches New Homes Sales Survey

In response to the interest expressed by Canada's builders in having a leading indicator of the new home market, CMHC is currently developing, in cooperation with the Canadian Home Builders' Association and New Home Warranty Program members in each province, a national new homes sales indicator.

CMHC has been collecting and publishing monthly housing starts as an indicator of housing activity since 1956. Housing starts information is considered a leading economic indicator by analysts in many sectors. However, the shift during the past decade from an industry that built homes largely on spec to one that now primarily builds on a pre-sale basis has meant that sales activity has become a potential leading indicator to starts activity.

During consultations with builders nationally, data from the New Home Warranty programs were identified as being a practical cost-effective source of sales information to meet the needs of Canada's housing industry. The Warranty Programs across the country are supportive of this project and have agreed to work with CMHC and provide the enrollment data collected. Prompt enrollment by the builders, with an indication of whether units are being built on spec or presold, will provide the necessary sales information on a large segment of the market.

Better information means builders can improve business planning and targeting of their market. When planning the number and type of housing units to build, it is important to know what is affecting home sales in the market. The information that builders will be providing to the Warranty Programs at enrollment will be analyzed by CMHC's analysts. The analysis will provide the earliest possible indication of shifts in market activity, demand or opportunities for certain types of products.

CMHC has received data from some provinces and are currently checking the quality. Data will be released on a monthly basis and by province as its timeliness and quality are deemed adequate.

CMHC is committed to working with the building industry across the country to help it better match its product to market demand. This is one additional tool builders can use to help them be more effective ■

DEFINITIONS:

AFFORDABILITY INDICATOR (page 5)

Potential First-Time Home Buyer:
All income earning renter households, distinguished as either family or non-family, between the ages of 20 and 44, including core need.

Average Starter House Price:
The average starter house price is that of the NHA insured home which include the following house types, single, semi-detached, row, mobile and apartment condominium. NHA insured homes are typically purchased by young first-time buyers with less than 25 per cent downpayment. The price was calculated on the average for each six-month period.

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are from Statistics Canada.

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Heating Costs:
Average heating costs representative of a starter home. Data are from Energy, Mines and Resources.

Monthly Total Carrying Costs:
Total of monthly payments required for principal, interest, taxes and heating costs.

Income Required to Carry a Mortgage:
The income necessary to service the mortgage payments at current interest rates, assuming a 32 per cent gross debt service ratio.

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization. An interest rate of 12.5 per cent was used for the second half of 1990 and 11 per cent for the first half of 1991.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicator semi-annually. Enquiries regarding subscription should be directed to: Manager, Marketing & Communications, CMHC Market Analysis Centre, 700 Montreal Road, Ottawa, Ontario K1A 0P7. Tel: (613) 748-2286 or Fax: (613) 745-1741. Comments and requests for additional information may be referred to Sharon Olm, Manager, Local Markets Analysis, Market Analysis Centre, Ottawa. Tel.: (613) 748-2582.

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CMHC Market Analysis Centre October 1991

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Manufactured Homes: A Housing Alternative

Manufactured homes are not a new ideas in Canada, having been first introduced in the 1950's, but the industry has evolved from the predominantly mobile home market. In 1976, industry activity peaked at 50,000 units, roughly 18 per cent of all new construction. Until recent years, manufactured housing designs have been more modest than site-built homes. As a result, the target market has been the first-time buyer and seniors.

Nationally, the demographic and economic conditions have influenced the success of this industry segment. The baby-boomers, who had reached the age to purchase their first home in the mid 1970's, put upward pressure on demand for starter homes. Much of this demand was met by the manufactured home at its peak. The recession in the early 1980's and the movement of the baby-boomers into the move-up market resulted in a dramatic drop in production. In 1988, manufactured housing represented only 5 per cent of all housing starts. However, in Québec, the market is estimated to be much larger due to the many small manufacturers serving small rural markets.

The goal of the manufactured housing industry is to increase the quality and efficiency of new home construction. At least half of the structural frame of a manufactured home is produced in an environmentally controlled factory remote from the job site. There are five product types: mobile homes, modular, panelized, profile log, and pre-cut, differentiated largely on the extent of the in-factory assembly. The pre-cut and profile log home are most successful as vacation or second homes.

Manufactured Housing Production – Canada

	Mobile Homes (CSA)		Pre-Fab		Total	
	Units	$(000)	Units	$(000)	Units	$(000)
1981	7,451	167.6	9,595	219.4	17,046	387.0
1982	5,133	116.1	4,684	94.3	9,817	210.7
1983	5,014	116.7	4,694	125.3	9,708	242.0
1984	3,582	87.8	4,281	117.4	7,863	205.2
1985	3,700	93.0	n/a	n/a	n/a	n/a
1986	3,250	86.3	6,589	222.4	10,339	308.7
1987	n/a	n/a	n/a	268.1	n/a	n/a
1988	4,401	113.0	7,614	290.0	12,015	403.1

Footnote: Many feel that this data underestimates the market but is the best data currently available

SOURCE: Statistics Canada

Mobile Homes: The Affordable Alternative

In 1988, mobile homes still accounted for nearly 60 per cent of factory built units and represented an estimated 2 per cent of total housing starts in Canada. The main success factor for mobile has been price, averaging less than $26,000 (land not included) in 1988. Mobiles are most abundant in rural areas due to the lower costs and because they are readily available where few "stick-builders" are active. In resource towns mobiles have an added advantage of being a quick remedy to rapid growth situations.

In large urban centres, mobile homes have experienced limited popularity. Most municipalities in Canada have restrictive zoning regulations which impede development of mobile home parks or keep the parks on the periphery of the cities. In rural and small town Canada, where zoning is more relaxed and many purchasers own the lot, mobiles have been more successful.

With rapid growth in the population of seniors over the next ten to 15 years, there will be increased potential demand for high quality, low cost housing. Manufactured homes, particularly mobile homes, may present a viable alternative to the higher cost site-built homes.

However, most mobile home parks are developed with lots that are rented or with short term leases. Therefore, parks are susceptible to redevelopment as the urban centres expand. Since *continued on page 8*

Supply Available to Average Renter Households

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1991 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Victoria	Family	43,760	104,110	8.5	Mobile Home; Row Condo
	Non Family	35,110	78,120	3.7	Older Apt. Condo
	Total	40,330	93,800	6.6	Apt. & Row Condos; Mobile Home
Vancouver	Family	56,710	148,730	18.8	Newer Row Condo; Bungalow
	Non Family	47,240	120,290	10.6	Newer Apt. Condo
	Total	52,200	135,190	15.2	Newer Apt. Condo
Edmonton	Family	46,920	119,390	56.0	Newer Bungalow, Condo
	Non Family	39,380	96,770	38.0	Older Bungalow, Condo
	Total	43,840	110,140	49.0	Older Bungalow, Condo
Calgary	Family	48,990	125,680	46.0	Older Bungalow
	Non Family	42,050	104,860	59.0	Older Row House
	Total	45,910	116,450	42.0	Older Bungalow
Saskatoon	Family	43,300	110,920	83.0	Bungalow
	Non Family	37,760	94,270	75.1	Bungalow
	Total	40,690	103,080	79.4	Bungalow
Regina	Family	39,990	98,940	86.7	Bungalow
	Non Family	34,830	83,430	80.2	Bungalow
	Total	37,520	91,510	83.6	Bungalow
Winnipeg	Family	46,930	113,670	77.4	Older 2 Storey
	Non Family	39,820	92,310	65.8	Older Bungalow
	Total	43,770	104,170	72.8	Older Bungalow
Thunder Bay	Family	49,960	129,630	62.0	Older Bungalow & 1 1/2 & 2 Storey
	Non Family	42,750	107,970	48.9	Bungalow; Older 11/2 & 2 Storey
	Total	47,420	121,990	57.3	Bungalow; Older 1 1/2 & 2 Storey
Sudbury	Family	42,860	106,310	29.9	Older Bungalow
	Non Family	38,240	92,440	20.7	Older Bungalow
	Total	41,480	102,190	26.7	Older Bungalow
Windsor	Family	57,340	151,780	71.0	Split Level, Ranch
	Non Family	47,120	121,100	54.2	Bungalow
	Total	53,340	139,760	64.2	Bungalow, Split Level
London	Family	51,850	133,980	49.2	Row Condos; Bung.; 1 1/2 Storey
	Non Family	42,030	104,510	24.0	Row & Apt. Condos; Older Bung.
	Total	47,820	121,880	38.4	Bung.; Condo; 1 1/2 Semi-Detached
Kitchener	Family	47,720	118,890	19.3	Townhouse; Apt. Condos
	Non Family	40,410	96,940	5.2	Apt. Condo
	Total	45,120	111,090	14.4	Apt. Condo
St. Catharines-Niagara	Family	46,910	120,710	30.0	Older Bungalow
	Non Family	40,280	100,790	14.8	Older Bungalow
	Total	44,790	114,330	23.4	Older Bungalow
Hamilton	Family	50,290	125,910	27.3	Older Bungalow; 1 1/2 Storey
	Non Family	40,880	97,630	9.7	Older Apt. Condo; 1 1/2 Storey
	Total	46,690	115,080	20.1	Older Apt./Row Condo; 1 1/2 Storey

Supply Available to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1991 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Toronto	Family	63,970	165,710	17.6	Row Condo
	Non Family	55,560	140,450	9.1	Apt. Condo
	Total	60,760	156,090	14.1	Apt. Condo
Oshawa	Family	52,380	133,660	26.0	Row House
	Non Family	45,140	111,920	9.8	Apt. Condo
	Total	50,220	127,170	19.6	Apt. Condo
Ottawa	Family	55,030	135,010	42.0	Older Row Houses
	Non Family	45,040	105,010	21.8	Older Row & Apt. Condo
	Total	50,680	121,950	32.9	Older Row Houses
Hull	Family	44,900	107,760	56.0	Newer Semi-Detached; Older Bung.
	Non Family	38,440	88,380	39.0	Older Semi-Detached; Newer Condo
	Total	42,910	101,790	53.0	Older Bung. Newer Semi-Detached
Montréal	Family	49,110	117,650	51.2	Bungalow; Older Semi-Detached
	Non Family	39,650	89,240	15.6	Newer Apt. Condo
	Total	45,650	107,250	39.2	Bungalow; Older Semi-Detached
Trois-Rivières	Family	38,350	90,580	59.0	Newer Single Houses; Bungalow
	Non Family	32,610	73,320	32.9	Older Bungalow
	Total	36,470	84,930	50.3	Newer Semi-Detached;Bungalow
Sherbrooke	Family	38,500	91,530	49.0	Older Bungalow
	Non Family	33,550	76,660	24.0	Older Apt. Condo
	Total	36,770	86,330	40.0	Older Bungalow
Québec	Family	45,040	107,200	61.8	Older Bungalow; Apt. Condo
	Non Family	38,010	86,080	38.0	Semi-Detached; Row Houses
	Total	42,560	99,740	58.2	Older Bungalow; Apt. Condo
Chicoutimi-Jonquière	Family	41,510	101,070	72.0	Older Bungalow
	Non Family	36,680	86,540	54.0	Older Bungalow
	Total	40,410	97,760	63.0	Older Bungalow
Saint John	Family	41,100	103,690	68.0	New Bungalow
	Non Family	36,600	90,180	60.0	New Bungalow
	Total	39,670	99,380	67.0	New Bungalow
Halifax	Family	43,670	106,910	55.8	Older Bungalow
	Non Family	39,490	94,360	44.9	Older Bungalow
	Total	42,120	102,260	52.7	Older Bungalow
St. John's	Family	46,720	118,680	65.6	Older Bungalow
	Non Family	46,290	117,380	64.9	Older Bungalow
	Total	46,590	118,290	65.5	Older Bungalow
Charlottetown	Family	40,950	103,820	51.6	Older Bungalow; Older 2 Storey
	Non Family	37,760	94,240	44.8	Older Bungalow; Older 2 Storey
	Total	39,960	100,860	51.6	Older Bungalow; Older 2 Storey

** Calculated with interest rates of 11 per cent*
SOURCES: CMHC, CREA, Statistics Canada Energy, Mines & Resources

Indicators Point to Improved Housing Markets

The housing market nationally is forecast to improve over the coming months. The rapid increases in resales in the first half of 1991 in most markets across the country have now stabilized and modest gains are forecast for the remainder of 1991 and in 1992. Most local housing markets are also expecting starts to rise in 1992 after significant declines in 1991.

However, the strength of housing market activity varies significantly across the country because of diverse rates of regional economic recovery. In 1992, housing markets in southern Ontario and the Atlantic will have the strongest growth although it will still be modest. The weakest activity will be in Saskatchewan, Manitoba and Quebec.

Ontario Leads Recovery

Housing markets in Ontario will post positive gains in most sectors of the housing market in 1992. Lower house prices and interest rates restarted the housing market in early 1991. In 1992, slightly better than average employment growth as a result of improved consumer spending and exports will further support the housing market. First-time home buyers who have led the housing recovery, will also stimulate some move-up buying activity in 1992. Resales will increase in most markets with the exception of Toronto and Oshawa where activity will decrease by about 7.0 per cent. Average price increases of single-detached houses will range between 3.0 per cent in Sudbury and 7.0 per cent in Ottawa.

Increased move-up activity is expected to stimulate starts activity next year. A 31.7 per cent increase in starts is expected in Ottawa in 1992 compared with a 30.6 per cent increase in Kitchener and a 28.8 per cent increase in Toronto. Price increases for new homes are also expected to be slightly higher than the rate of inflation in 1992.

Brighter Markets in Atlantic

Resale activity in most Atlantic markets picked up in the second quarter and is forecast to increase next year varying from 6.7 per cent in Charlottetown to 10.5 per cent in St. John's. Despite the increase in resale activity, house prices will rise at or below the rate of inflation in 1992 as markets become more balanced. The St. John's housing market is expected to move to a more balanced position in late 1992 as a result of favourable interest rates, the Hibernia project and accompanying developments that will contribute to a 2.7 per cent increase in jobs in the city. St. John's will have one of the stronger housing markets in Canada in 1992.

Affordable housing is continuing to entice home buyers back and this will lead to an upturn in housing starts in 1992 for St. John's, Charlottetown and Saint John. Halifax is an exception and will have an increase in starts this year due to apartment construction. But, 1992 activity will be down overall as fewer multiple units offset increases in single-detached starts.

Mixed Recovery in West

British Columbia's new housing market will improve in 1992 while the resale housing markets will stabilize. Improved housing affordability led to record sales of existing houses in the first half of 1991. Price increases have initially been strong but are expected to moderate as market activity stabilizes through to the end of this year and into next year. The demand for new single-detached houses is expected to increase significantly in 1992 which will contribute to starts increasing to 14.2 and 19.0 per cent in Victoria and Vancouver respectively. Limited new rental construction will continue to keep vacancy rates in B.C among the lowest in the country.

Alberta housing markets will be sustained by the province's gradually diversifying economy which is stimulating moderate employment growth, migration and the demand for housing. Lower interest rates and improved affordability led to steady increases in sales in Edmonton and Calgary in 1991. However, a more moderate level of sales is forecast for Edmonton and Calgary next year due to a slight deterioration in affordability. Balanced market conditions will keep price increases slightly above inflation in Alberta. The strongest activity will be in the new housing market where starts are expected to increase 41.5 and 21.1 per cent respectively.

Increased sales of existing houses are forecast in 1992 in Winnipeg, Regina and Saskatoon although growth in real average resale prices are not anticipated due to a continued oversupply of listings. Despite increases in starts, the new housing markets will remain weak. Economic and employment growth in Saskatchewan and Manitoba will continue to be dampened by the weak agricultural sector.

Weak Labour Market Slows Recovery in Quebec

After a weak performance in 1991, resale markets in Quebec will gradually move towards balanced positions in 1992. Sherbrooke, Montreal and Trois-Rivières are expected to post the largest increases in resale activity at 14.7, 13.6 and 11.7 per cent respectively. However, average prices will rise at or close to the rate of inflation. Despite the provincial housing program "Deal Estate" (which ended in September), starts will be down in all major centres in 1991. Starts will continue to be weak in 1992 as markets recover from oversupplied positions and moderate employment growth generates limited demand for new housing.

Similar to Manitoba and Saskatchewan, Quebec's urban centres will have the weakest labour markets in 1992. ■

Renters Have More Access to Resale Markets

Renter households can afford to purchase a greater share of resale houses in 1991 than last year in most Census metropolitan Areas (CMA). As a result of increases in average household income, lower mortgage interest rates and declining or stable house prices housing is more affordable to the average renter. While an improvement was seen almost everywhere, there remains a wide diversity across the country in the access renters have to homeownership. In several CMAs, such as Regina, Saskatoon, Windsor, Chicoutimi-Jonquière and Saint John, average renter households including non-family households who have lower incomes, had access to more than 50 per cent of the total number of MLS* listings for houses in August 1991. However, in CMAs such as Victoria, Vancouver and Toronto with high house prices, renter households had access to less than 15 per cent of the active listings.

The decline in interest rates from 12.5 to 11.5 per cent for a 3 year mortgage term between December 1990 and July 1991 contributed significantly to the greater affordability of homes by reducing the monthly carrying costs. Monthly carrying costs are based on a 10 per cent downpayment and include payments for principal and interest, property taxes and heating costs. In addition to lower carrying costs, average resale prices declined in several CMAs and remained relatively stable in others. (See Table of Economic and Housing Indicators, Average MLS Single Price). The third factor accounting for an increase in housing market accessibility is the rise in average renter household incomes. Average renter household incomes in most CMAs have continued to rise in 1991, although at a slower rate than in 1989 and 1990.

Although the situation has improved in British Columbia, potential home buyers continue to have limited access to the existing housing market. Only 6.6 per cent of houses in Victoria and 15.2 per cent in Vancouver are affordable to renter households. The recession has had less of a dampening effect on housing markets on the West Coast than in Eastern Canada. For example, in Victoria the average single house price is expected to grow by 6.0 per cent this year whereas in Eastern Canada price stability or limited price growth is expected.

Housing less affected by recession in West . . . .

Due to the decline in monthly carrying costs, renter households in the Prairies can afford a significant proportion of houses listed for sale, ranging from 42.0 per cent in Calgary to 83.6 per cent in Regina. Regina, Saskatoon and Winnipeg, which have had relative price stability or even declines in the average price of single homes, remain among the most affordable CMAs in Canada.

About 20 per cent of listings are available to renter households in most southern Ontario CMAs with the exception of Windsor. Windsor is one of the most affordable CMA's in Ontario with 64.2 per cent of its supply being affordable to renter households. Despite a decline in house prices, Toronto continues to be one of the least affordable CMAs in Canada with only 14.1 per cent of listings available to renter households.

The supply of listings available to renter households in Québec has increased significantly in all CMAs. Supply ranges from 40.0 per cent in Sherbrooke to 63 per cent in Chicoutimi-Jonquière. Similar to the rest of the country, renter households have access to a greater supply of housing because of higher household incomes, lower mortgage rates and stable house prices. Moreover, in the province of Québec access to homeownership was further improved by the provincial housing program "Deal Estate", targeted to promote the construction of affordable new houses.

In the Atlantic Provinces, renter households have access to at least 50 per cent of the listings in major urban centres. Renter households in Saint John have the greatest selection from about 67 per cent of listings, compared with Charlottetown where they can chose from 51.6 per cent of listings.

Affordability is expected to remain relatively stable or decline slightly in the near future as the country slowly recovers from the recession and house prices increase moderately. Anticipated increases in property taxes and heating costs, combined with limited wage gains will also contribute to higher carrying costs and will slightly inhibit renter households' access to homeownership.■

* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicator semi-annually. Enquiries regarding subscription should be directed to: Manager, Marketing & Communications, CMHC Market Analysis Centre, 700 Montreal Road, Ottawa, Ontario K1A 0P7. Tel.: (613) 748-2286 or Fax: (613) 748-2404. Comments and requests for additional information may be referred to Sharon Olm, Manager, Local Markets Analysis, Market Analysis Centre, Ottawa. Tel.: (613) 748-2582.

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1990	124,700		2,588		219,000		6,080		179,200		0.7	0.3
	1991*	125,300	0.5	1,900	-26.6	191,000	-12.8	7,600	25.0	190,000	6.0	1.3	1.8
	1992*	128,900	2.9	2,170	14.2	210,000	9.9	6,500	-14.5	205,200	8.0	2.0	1.5
Vancouver	1990	789,600		17,970		288,000		25,600		246,890		0.9	0.9
	1991*	809,300	2.5	14,200	-21.0	265,000	-8.0	43,000	68.0	244,000	-1.2	2.3	1.8
	1992*	833,600	3.0	16,900	19.0	278,250	5.0	42,000	-2.3	256,000	4.9	2.5	1.5
Edmonton	1990	367,000		5,921		161,270		9,944		110,470		2.6	1.8
	1991*	370,000	0.8	4,100	-30.8	170,940	6.0	11,200	12.6	116,000	5.0	3.5	2.5
	1992*	377,000	1.9	5,800	41.5	178,000	4.1	10,300	-8.0	124,000	6.9	3.0	2.0
Calgary	1990	361,000		7,004		169,900		15,625		127,530		2.7	2.0
	1991*	365,000	1.1	4,750	-32.2	170,650	0.4	16,800	7.5	130,230	2.1	4.1	3.5
	1992*	370,000	1.4	5,750	21.1	175,530	2.9	16,200	-3.6	137,280	5.4	3.9	3.1
Saskatoon	1990	81,000		410		123,400		2,280		76,010†		10.1	7.4
	1991*	81,000	0.0	290	-29.3	138,000	11.8	2,400	5.3	77,530†	2.0	8.0	6.0
	1992*	81,000	0.0	440	51.7	130,000	-5.8	2,600	8.3	79,080†	2.0	6.0	5.0
Regina	1990	90,000		471		122,400		2,469		71,050†		7.6	5.0
	1991*	90,000	0.0	200	-57.5	130,000	6.2	2,500	1.3	70,000†	-1.5	5.5	4.0
	1992*	90,000	0.0	325	62.5	132,000	1.5	2,600	4.0	71,000†	1.4	5.0	4.5
Winnipeg	1990	312,000		2,147		121,000		8,431		83,940		5.7	6.4
	1991*	307,000	-1.6	1,150	-46.4	127,000	5.0	8,700	3.2	81,500	-2.9	5.9	5.2
	1992*	311,000	1.3	1,650	43.5	132,000	3.9	9,800	12.6	83,000	1.8	4.5	3.9
Thunder Bay	1990	63,000		629		180,080		948		102,090		2.0	1.0
	1991*	60,000	-4.8	930	47.9	165,000	-8.4	1,175	23.9	105,350	3.2	1.4	1.6
	1992*	61,000	1.7	710	-23.7	180,000	9.1	1,200	2.1	110,430	4.8	1.5	1.6
Sudbury	1990	61,300		1,468		150,000		2,009		107,520		0.6	0.7
	1991*	60,900	-0.7	1,365	-7.0	156,600	4.4	1,900	-5.4	108,050	0.5	1.1	1.2
	1992*	61,500	1.0	1,070	-21.6	163,650	4.5	1,900	0.0	111,300	3.0	2.0	2.5
Windsor	1990	123,000		1,588		193,900		3,949		104,840		2.2	2.5
	1991*	114,000	-7.3	1,330	-16.2	198,000	2.1	4,400	11.4	106,500	1.6	3.9	4.0
	1992*	119,000	4.4	1,100	-17.3	210,000	6.1	4,800	9.1	111,000	4.2	3.0	2.7
London	1990	160,200		2,905		227,400		5,466		134,910		2.9	2.8
	1991*	166,000	3.6	2,350	-19.1	231,500	1.8	6,300	15.3	136,900	1.5	4.0	3.9
	1992*	168,500	1.5	2,400	2.1	248,500	7.3	6,700	6.3	144,500	5.6	3.6	2.7
Kitchener	1990	177,000		2,981		248,570		3,501		152,160		1.3	1.3
	1991*	170,000	-4.0	1,800	-39.6	235,000	-5.5	3,900	11.4	160,000	5.2	4.7	5.0
	1992*	174,000	2.4	2,350	30.6	250,000	6.4	4,200	7.7	168,000	5.0	5.2	4.5
St. Catharines-Niagara	1990	151,000		2,506		199,040		2,275		134,390		1.9	2.1
	1991*	145,000	-4.0	1,540	-38.5	190,000	-4.5	2,400	5.5	140,000	4.2	2.9	3.5
	1992*	150,000	3.4	1,850	20.1	195,000	2.6	3,000	25.0	147,000	5.0	3.0	2.5
Hamilton	1990	317,000		2,969		268,470		7,116		165,740		0.9	1.3
	1991*	301,000	-5.0	2,150	-27.6	270,000	0.6	8,100	13.8	166,000	0.2	1.5	2.0
	1992*	310,000	3.0	2,750	27.9	280,000	3.7	9,500	17.3	176,000	6.0	1.7	1.5

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Toronto	1990	1,931,000		18,723		384,540		26,779		255,020		0.7	1.0
	1991*	1,820,000	-5.7	17,200	-8.1	390,000	1.4	41,000	53.1	238,000	-6.7	1.6	2.2
	1992*	1,911,000	5.0	22,150	28.8	410,000	5.1	38,000	-7.3	252,500	6.1	2.3	1.8
Oshawa	1990	101,000		2,189		249,760		3,450		167,900		1.6	1.8
	1991*	97,000	-4.0	2,180	-0.4	216,000	-13.5	5,700	65.2	155,000	-7.7	3.7	5.0
	1992*	99,000	2.1	2,320	6.4	227,000	5.1	5,300	-7.0	164,000	5.8	4.0	2.8
Ottawa	1990	355,000		4,860		205,400		8,249		160,120		1.9	0.5
	1991*	355,000	0.0	4,175	-14.1	208,500	1.5	9,150	10.9	164,930	3.0	1.1	0.5
	1992*	359,500	1.3	5,500	31.7	221,000	6.0	9,400	2.7	176,470	7.0	1.0	0.6
Hull	1990	99,000		3,309		125,220		1,814		99,740		3.6	4.2
	1991*	97,600	-1.4	2,320	-29.9	130,230	4.0	1,750	-3.5	104,220	4.5	5.1	5.6
	1992*	101,300	3.8	2,210	-4.7	130,230	0.0	1,860	6.3	108,390	4.0	5.3	4.7
Montréal	1990	1,430,000		21,101		132,000		15,681		116,730		4.5	5.4
	1991*	1,395,000	-2.4	17,400	-17.5	136,000	3.0	16,500	5.2	119,000	1.9	5.3	5.5
	1992*	1,415,000	1.4	19,700	13.2	143,000	5.1	18,750	13.6	125,000	5.0	5.2	4.4
Trois-Rivières	1990	52,900		1,400		76,500		567		69,500		6.1	7.6
	1991*	52,000	-1.7	1,120	-20.0	78,000	2.0	515	-9.2	71,500	2.9	7.4	7.6
	1992*	52,700	1.3	1,210	8.0	79,500	1.9	575	11.7	74,000	3.5	7.4	7.1
Sherbrooke	1990	62,800		1,185		95,000		1,190		78,700		7.3	9.7
	1991*	59,700	-4.9	700	-40.9	92,000	-3.2	950	-20.2	85,000	8.0	9.2	8.7
	1992*	61,500	3.0	770	10.0	94,000	2.2	1,090	14.7	83,000	-2.4	7.7	6.9
Québec	1990	294,200		5,972		91,000		3,484		79,700		4.1	5.7
	1991*	296,200	0.7	5,700	-4.6	94,600	4.0	3,800	9.1	84,500	6.0	4.3	4.3
	1992*	299,200	1.0	5,300	-7.0	99,300	5.0	3,800	0.0	89,500	5.9	4.5	3.5
Chicoutimi-Jonquière	1990	57,800		1,128		86,750		1,600		69,700		3.6	5.1
	1991*	57,000	-1.4	830	-26.4	87,000	0.3	1,600	0.0	71,400	2.4	4.8	5.2
	1992*	57,800	1.4	880	6.0	90,200	3.7	1,660	3.8	74,300	4.1	4.5	4.0
Saint John	1990	54,000		589		95,680		1,130		80,720		3.9	4.1
	1991*	54,000	0.0	400	-32.1	100,500	5.0	1,100	-2.7	84,300	4.4	4.0	4.2
	1992*	55,000	1.9	550	37.5	105,500	5.0	1,200	9.1	86,800	3.0	3.9	4.2
Halifax	1990	161,000		2,647		120,000		4,004		109,750		4.4	3.3
	1991*	160,000	-0.6	3,050	15.2	122,400	2.0	4,100	2.4	108,600	-1.0	4.1	3.9
	1992*	164,000	2.5	2,600	-14.8	126,000	2.9	4,400	7.3	112,950	4.0	4.4	4.2
St. John's	1990	73,900		1,434		122,500		1,939		88,940		4.6	1.8
	1991*	73,000	-1.2	1,175	-18.1	129,000	5.3	1,900	-2.0	93,500	5.1	4.8	7.0
	1992*	75,000	2.7	1,500	27.7	138,000	7.0	2,100	10.5	100,000	7.0	8.0	4.4
Charlottetown	1990	35,700**		538		116,000		227		91,400		5.5	3.0
	1991*	34,400	-3.6	320	-40.5	120,000	3.4	300	32.2	95,000	3.9	6.6	5.6
	1992*	35,000	1.7	425	32.8	122,000	1.7	320	6.7	97,000	2.1	7.2	6.0

** Forecast CMHC*
*** Estimated from PEI labour force.*
† Average MLS price
SOURCES: CMHC, Statistics Canada, local real estate boards

continued from page 1 security of tenure is particularly important to seniors, this issue has inhibited the growth of the mobile home industry. In Alberta and Atlantic, mobiles represent a greater proportion of the market because acceptance is greater, more parks are available and the risk of redevelopment is lower.

Today's Modulars Offer Quality and Choice

Modular homes are manufactured in three dimensional sections of the home which are shipped to the site and erected. The panelized homes are similar to modular homes but are shipped in smaller sections and require more finishing on the job site. The finished modular or panelized homes are often undistinguishable from "stick-built". These products represent about 2 per cent of total housing starts but are expected to increase to a 10 per cent market share over the next five to ten years.

Modular or panelized homes are well positioned to gain a larger market share. Recent advances in design technology have made manufactures more flexible in responding to the demand for customized plans. Houses prices range from $20,000 to $200,000 (not including transportation or land). The main competitive advantages are their quality of workmanship and materials and quick delivery. The average length of construction for a modular home is 30 days compared to the three to four months for site-built homes.

The land development process is a factor for modulars since it is closely tied to stick-builders who therefore have access to most of the available lots. However, some manufactures have also entered the development business and in some provinces, the process of lot draws has opened up the market.

The manufacturing process is more efficient than the site-built process since labour and material supplies are controlled and weather is not a factor. While manufactured homes can compete on the basis of quality and speed of delivery, the cost is not always competitive. Under-utilized capacity adds to production costs and with transportation costs increasing, high production volumes are necessary to reduce costs and increase the market share for manufactured homes.

Export Markets Needed for Industry Growth

With relatively low construction volumes in Canada, 181,630 starts in 1990, many manufacturers have turned to export markets in the United States, Japan and the middle east. In 1988, $76.5 million of prefabricated homes were exported from Canada with over 50 per cent or $40.7 million of those going to the U.S. Despite, an increase in exports to $93.4 million in 1990, the U.S. share dropped to 44 per cent in 1989 and to 36 per cent in 1990.

In 1989, mobiles represented an estimated 14 per cent of the nearly 1.3 million U.S. housing starts, although all forms of manufactured housing has been estimated as high as fifty percent. The U.S. success is attributed to the southern climates which attract seniors from both the U.S. and Canada. Furthermore, the U.S. manufacturers have entered the semi-detached and row house markets while domestic producers still favour the single-family market. Canadians are actively pursuing the U.S. markets, but the greater volumes and lower labour costs make U.S. products less expensive, presenting a threat to the domestic markets.

Demand for affordable housing in urban Canada from both first-time buyers and seniors, combined with improved production efficiencies and flexibility will provide opportunities for the manufactured housing industry to expand. Modular manufacturers have also identified components such as pre-fabricated roof trusses, pre-hung doors, stairs and cabinets, which are purchased by the traditional site-builders, as an emerging market opportunity. Greater coordination and cooperation between the dealers, manufacturers and mobile home park owners/developers would also aid the industry. ■

For more specific information on manufactured housing in Canada, contact Mr. Henry G. Starno, Canadian Manufactured Housing Institute, (613) 563-3520.

DEFINITIONS:

SUPPLY INDICATOR (pages 2 & 3)

Household Income:

Average income of private renter households aged 20 to 44 and with income above core need income thresholds. Core need income thresholds are the eligibility income levels for NHA social housing programs.

Renter Household Types:

Renter households are either classified as a non-family household which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total household refers to all households, family and non-family.

Maximum Affordable House:

Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment at the current mortgage rate and a 10 per cent down payment.

Supply Available:

The per cent of MLS listings at and below the maximum affordable house price.

Most Prevalent House Type:

The house types most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

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Lower interest rates and prices reduce the cost of buying a home

In December, 1991, interest rates declined to their lowest level in eighteen years. This factor combined with relatively stable house prices resulted in improved affordability in all Census Metropolitan Areas (CMAs) in Canada. *(see table page 5)*

In the past year heating costs and taxes increased above the estimated 5.5 per cent rate of inflation in about two thirds of the CMAs. However, these monthly costs are a significantly small proportion of the overall cost of owning a home. In spite of these increases in costs, relatively stable house prices in most CMAs and the decline in interest rates from 11 per cent in June, 1991 to 9.5 per cent in December, 1991 for a three year term mortgage, resulted in lowering the cost of purchasing a starter home in most centres. The income required to purchase a home declined in virtually all CMAs during the second half of the year. At over 11 per cent, the largest reduction in required income was in Hamilton.

St. John's the most affordable CMA in Canada

The per cent of renters who could afford to buy a typical starter home, increased the most in those centres which experienced declines in house prices in the past six months as well as lower annual heating costs and property taxes. For example in St. John's, the price of a starter house declined about 2.6 per cent. This *continued on page 2*

Percent of Renters Who Can Afford to Buy a Home

CENSUS METROPOLITAN AREAS (CMA)	FAMILY JULY-DEC. 1991	FAMILY JAN.-JUNE 1991	NON-FAMILY JULY-DEC. 1991	NON-FAMILY JAN.-JUNE 1991	TOTAL JULY-DEC 1991	TOTAL JAN.-JUNE 1991
Victoria	15.3	12.5	5.9	4.7	11.0	9.0
Vancouver	29.5	24.4	14.7	11.4	22.0	17.9
Edmonton	46.5	42.8	30.4	26.5	39.6	35.8
Calgary	40.6	36.4	26.9	22.9	34.3	30.2
Saskatoon	52.8	47.5	43.8	37.8	48.5	42.9
Regina	50.1	47.7	42.2	39.9	46.4	44.1
Winnipeg	49.9	47.9	36.1	33.8	43.6	41.4
Thunder Bay	56.3	50.8	38.1	31.7	49.8	44.0
Sudbury	38.5	31.1*	24.5	19.3*	34.1	27.5*
Windsor	54.8	51.8	42.9	39.7	50.1	47.0
London	38.0	33.4	21.6	17.8	30.7	26.5
Kitchener	31.0	24.4	17.0	13.3	25.8	20.3
St. Catharines-Niagara	37.5	32.1	26.0	20.9	33.7	28.4
Hamilton	33.1	24.6	18.2	11.6	27.4	19.6
Toronto	29.9	21.8	16.7	12.0	24.4	17.7
Oshawa	35.1	27.2	21.6	16.4	31.2	24.1
Ottawa	39.2	34.8	22.3	19.3	31.5	27.8
Hull	45.9	43.7	31.1	29.1	41.0	38.8
Montreal	41.9	39.8	21.9	20.1	33.6	31.7
Trois-Rivières	45.0	42.4	28.7	26.4	39.0	36.5
Sherbrooke	40.3	40.1	22.9	22.7	33.2	33.0
Quebec	52.3	51.0	31.1	29.7	43.6	42.3
Chicoutimi-Jonquière	53.1	50.6	42.4	39.9	50.5	48.0
Saint John	46.2	43.5	39.0	36.3	44.3	41.6
Halifax	48.6	42.4	34.0	28.4	42.9	37.0
St. John's	56.4	44.4	56.0	43.6	56.4	44.4
Charlottetown	44.4	46.5	34.4	36.0	39.7	41.5

** Revised due to updated data.*
SOURCES: CMHC, Statistics Canada

continued from page 1 factor combined with lower heating costs and unchanged property taxes, resulted in 56.4 per cent of renter households being able to afford buying a home in December, 1991. This is a 12.0 per cent change from the 44.4 per cent who could afford six months ago and makes St. John's the most affordable city in Canada.

Other cities in which about 7 per cent more renters could afford to buy a home in December, 1991 compared to June, 1991 include, Toronto, Hamilton and Oshawa.

Price declines combined with lower interest rates resulted in close to one quarter of renters being able to afford a starter house in Toronto, about 27 per cent in Hamilton and 31 per cent in Oshawa.

These are also very significant improvements in the per cent of renters who can afford to buy a house since June, 1990 when Toronto, Hamilton and Oshawa were some of the least affordable cities in the country.

At that time only 7.2, 9.8 and 6.8 per cent of renters were able to afford to buy in these centres respectively.

Affordability improved the least in Quebec

Affordability improved the least in CMAs in the province of Quebec, because of increases in the price of starter homes. During the past year provincial programs in support of first time buyers increased the demand for starter homes and also prices. In Quebec City 43.6 per cent of renters can afford a home, an increase of 1.3 per cent. In Montreal affordability increased almost two per cent to 33.6 per cent of renters being able buy a house.

Victoria is the least affordable

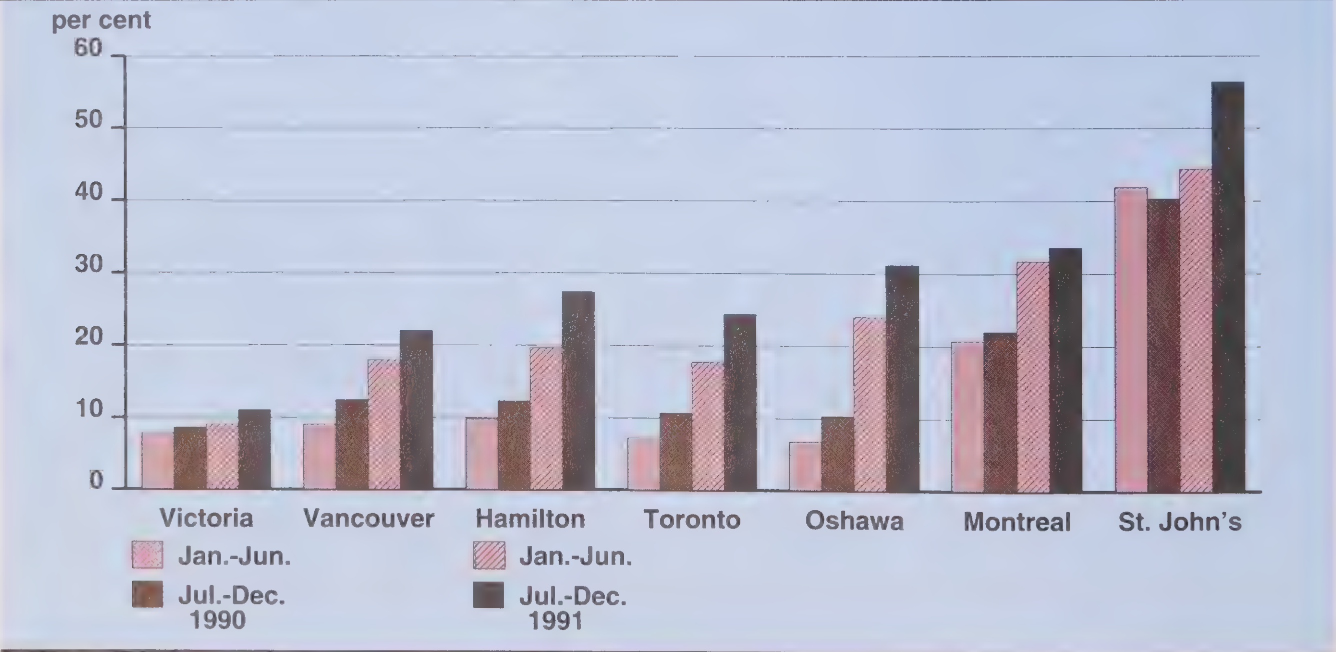
In all the other CMAs, the increase in the per cent of renters who could afford to buy varied between about two and six per cent because of lower mortgage interest rates and either declining or stable prices. In spite of a moderate 2.0 per cent increase in the number of renters who can afford to 11.0 per cent, Victoria is currently the least affordable CMA in Canada. In June, 1990 Victoria was the second least affordable CMA in the country with 7.8 per cent of renters having the required income to buy a starter house. In the past six months starter house prices remained relatively stable around $134,500 in Victoria. Annual average property taxes increased about 5.1 per cent while heating costs decline slightly.

Affordability expected to remain unchanged

In 1992, mortgage interest rates are forecast to decline slightly in the first half of the year. The price of resale homes are expected to increase around 5.0 per cent with most of the growth likely to occur in the second half of the year. Affordability is therefore expected to remain relatively unchanged in the first half of the year. Improved employment opportunities later in the year will further support first time buyers access to homeownership in some CMA's.

CMHC's indicator measures the relative affordability of starter houses by first-time buyers or renter households between the ages of 20 and 44 in Census Metropolitan Areas. It is also assumed that renter households have a 10 per cent downpayment. ■

Percentage of Total Renter Households Able to Buy a Starter House



SOURCE: CMHC.

Why is rental housing produced in some cities and not others?

Despite an upbeat economy, tightening vacancy rates and the absence of rent controls, private rental production in metropolitan Vancouver was limited in the second half of the 1980s. By contrast over the same time period, there was an abundance of rental production in Montreal despite escalating vacancy rates and rent controls. Both Vancouver and Montreal shared in gains in economic expansion and their rental markets were influenced by the same national interest and taxation environment. This invites the inevitable question, "Why is rental housing being produced in some cities and not others?"

In response to this concern, Canada Mortgage and Housing Corporation and the British Columbia Housing Management Commission commissioned Clayton Research Associates Limited* to conduct a study to explain the apparent contrast in performance of different rental markets. The study investigated the performance of markets in Vancouver, Montreal, London, Winnipeg, and Calgary between 1985 and 1990 to explain what factors affect rental markets.

The main difference between cities with little rental production and those with a lot was the cost of rental housing, and the resulting impact on the profitability of the investment. Costs of production, particularly for land, were significantly higher in Vancouver. Other factors also affected the supply of housing, including the availability of alternative investments and their investment potential relative to rental housing, the possibility of syndication for tax shelter purposes and the number of small investors and their motivation.

* Authored by Clayton Research Associates Ltd. in association with Jules Hurtubise, Economist and CitySpace Consultants Ltd.

In London and Winnipeg low costs, an abundant supply of land and limited demand for condominiums helped encourage developers to build rental housing, despite rent controls. A good supply of land, lower costs and small investors motivated by long term returns were the main reasons for rental investment in Montreal.

Calgary and Vancouver had low rental production for opposite reasons. Calgary had high vacancy rates and low rents which made rental production unattractive. Vancouver had increasing costs, particularly for land, which could be supported by condominium development, but not by rental production.

Small landlords drive rental investment in Montreal

Montreal

Some 50,000 rental units were created in Montreal by conventional rental construction between 1985 and 1990. An additional 6,500 new units came from non conventional sources (such as individuals renting houses and condominiums, and secondary suites in single family homes) over the same time period.

The majority of rental construction occurred between 1985 and 1987, a period in Montreal when vacancy rates were falling and rents were increasing at rates greater than inflation. As vacancy rates began to rise in 1987, rental production did decline somewhat, however, about 40,000 units were still produced between 1987 and 1990.

Small landlords are the driving force for rental investment in Montreal and they are supported by considerably lower costs and a development process that keeps land flowing for rental production. Seventy five per cent of privately initiated rental construction in Montreal between 1985 and 1990 was in buildings containing fewer than 20 rental units.

Investment by small landlords is also motivated by long term returns according to a survey undertaken especially for this study. This point is important as it is the underlying reason for sustained (although at reduced levels) rental production in Montreal in spite of rising vacancy rates and deteriorating returns on investment in the post 1987 era. Rental investors in Montreal also perceive rental housing as a good investment vehicle vis-a-vis alternatives.

Abundance of land and low demand for condominiums spurred rental building in Winnipeg and London

London and Winnipeg

In London, more than 8,300 rental units were started between 1985 and 1990. All of these units came from conventional sources of rental supply. This substantial increase occurred despite the fact that investors knew that continued on page 4

continued from page 3 the buildings would be subject to rent control.

Winnipeg, like London and Montreal, has also seen a substantial volume of rental production in the second half of the 1980s. Over 8,000 rental units were started in Winnipeg between 1985 and 1990. This level of activity has also occurred in spite of the presence of rent controls.

In both Winnipeg and London syndication for tax shelter purposes and developers building for their own portfolios contributed to the high level of conventional rental production. In both Winnipeg and London, the abundance of land and the lack of alternative investments in condominium were important in steering the developers to rental projects.

Further, in Winnipeg government rental incentive programs supported syndication and developers building for their own portfolios. A variety of programs such as the Canada Rental Supply Program loans, write downs of interest under the Winnipeg Core Area Program and land lease arrangements all propped up rental production.

Investors expected attractive rates of returns in both London and Winnipeg. History has proven otherwise. Both now have large oversupplies of rental housing and production has declined.

Rental investment still slow in Calgary

Calgary

In Calgary, in contrast to Montreal, London and Winnipeg, there was very little rental construction in the second half of the 1980s. This situation has arisen in spite of the fact that Calgary does not have rent controls and that the rental market tightened over the second half of the 1980s. Calgary developers were wary of rental investment as a result of the downturn.

The severe downturn in the Alberta economy in the early 1980s resulted in 12 to 14 per cent vacancy rates and declining rents. It has taken a number of years for this situation to improve and vacancy rates in Calgary have recently risen to near 4 per cent. It is unlikely that significant numbers of new rental projects will be built in the near future.

Vancouver

The study confirmed that while there was very little conventional rental construction in metropolitan Vancouver in the second half of the 1980s, non conventional sources of rental supply provided a substantial supply of additional rental housing. The latter added an estimated 28,500 non conventional rental units to the supply between 1985 and 1990, while conventional sources added about 3,000 new private rental units.

The lack of conventional rental construction in metropolitan Vancouver flowed from the unattractive economics of rental investment there. Despite the positive influence of rising rents on rental economics in the second half of the 1980s, increasing continued on page 6

Pro Forma for Typical Rental Investment
$ Per Unit in 1990

	Vancouver	Montreal	London	Calgary	Winnipeg
Land	29,715	10,875	9,500	9,150	4,700
Construction	73,715	45,850	63,000	59,425	49,850
Total	103,430	56,725	72,500	68,575	54,550
Mortgage	77,570	42,535	54,400	51,425	40,915
Equity	25,860	14,180	18,100	17,150	13,635
Gross Income	9,775	6,015	8,745	8,460	7,460
Operating costs	2,855	1,640	3,000	2,740	2,490
Net Operating Income	6,920	4,375	5,745	5,720	4,970
Mortgage Payment @11%	8,965	4,915	6,285	5,945	4,730
Net Income year 1	– 2045	– 540	– 540	– 225	240
Net Income year 5	– 870	205	435	745	1,085
Net Operating Income as a % Project Cost	6.7	7.7	7.9	8.3	9.1

SOURCE: Clayton Research Associates Ltd. based on information from CMHC and other sources.

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREAS (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JUL-DEC 1991	JAN-JUN 1991	JUL-DEC 1991	JAN-JUN 1991	JUL-DEC 1991	JAN-JUN 1991	JUL-DEC 1991	JAN-JUN 1991	JUL-DEC 1991	JAN-JUN 1991	JUL-DEC 1991	JAN-JUN 1991
Victoria	134,110	130,150	1,065	1,156	2,013	1,916	963	995	1,313	1,398	49,250	52,430
Vancouver	143,930	144,020	1,143	1,279	1,962	1,860	449	439	1,344	1,470	50,410	55,140
Edmonton	93,950	92,230	746	819	1,914	1,811	546	482	951	1,010	35,670	37,870
Calgary	109,670	108,550	871	964	1,965	1,814	621	471	1,087	1,154	40,750	43,290
Saskatoon	64,190	66,250	510	588	1,500	1,428	663	610	690	758	25,880	28,430
Regina	61,450	57,910	488	514	1,715	1,657	642	599	684	702	25,670	26,330
Winnipeg	67,590	67,620	537	600	2,337	2,189	824	717	800	843	30,010	31,600
Thunder Bay	89,520	88,510	711	786	1,480	1,520	952	781	914	978	34,270	36,660
Sudbury	93,350	93,440*	741	830*	1,698	1,637*	920	749*	960	1,029*	35,990	38,570*
Windsor	87,530	87,800	695	780	1,679	1,598	642	578	889	961	33,320	36,040
London	115,660	113,910	919	1,011	1,746	1,684	696	631	1,122	1,204	42,080	45,170
Kitchener	126,740	127,200	1,007	1,129	2,125	1,929	696	631	1,242	1,343	46,570	50,360
St. Catharines-Niagara	103,110	104,490	819	928	1,705	1,593	589	556	1,010	1,107	37,880	41,510
Hamilton	127,130	133,180	1,010	1,183	2,109	2,057	685	621	1,243	1,406	46,600	52,710
Toronto	170,260	175,590	1,352	1,559	2,330	2,203	631	610	1,599	1,794	59,970	67,260
Oshawa	135,950	138,050	1,080	1,226	2,064	1,930	621	589	1,304	1,436	48,880	53,840
Ottawa	121,990	122,810	969	1,090	2,869	2,561	685	663	1,265	1,359	47,440	50,970
Hull	81,260	79,960	645	710	1,869	1,815	1,209	1,070	902	950	33,820	35,640
Montreal	93,650	91,140	744	809	2,272	2,115	1,177	1,049	1,031	1,073	38,670	40,230
Trois-Rivières	61,900	59,550	492	529	1,573	1,510	1,263	1,113	728	747	27,300	28,020
Sherbrooke	73,390	66,730	583	592	1,605	1,518	1,295	1,049	825	806	30,920	30,240
Quebec	72,350	69,860	575	620	1,952	1,847	1,295	1,145	845	870	31,690	32,610
Chicoutimi-Jonquière	60,750	59,510	483	528	1,445	1,328	1,338	1,188	714	738	26,790	27,680
Saint John	62,850	63,320	499	562	875	810	1,134	1,295	667	738	25,000	27,660
Halifax	82,290	84,150	654	747	1,524	1,438	1,027	1,145	866	962	32,480	36,090
St. John's	72,480	74,440	576	661	894	893	1,241	1,412	754	853	28,260	31,990
Charlottetown	73,810	66,808	586	593	1,070	961	1,091	1,081	766	763	28,740	28,405

Revised due to updated data.

SOURCES: CMHC, Statistics Canada & Energy, Mines & Resources

continued from page 4 costs, particularly for land, resulted in a poor investment environment for rental projects. A typical new conventional rental project in Vancouver had 1) higher per unit costs, especially for land 2) higher initial per unit investment requirements, 3) lower net operating income per unit as a percent of total project costs, and 4) generated substantial negative cash flow per unit for a considerable period of time, as compared to elsewhere in the country

The booming condominium market in the second half of the 1980s, along with the lack of pre-zoned land available for multiple housing in metropolitan Vancouver resulted in an escalation of the prices of land available for building. These higher prices could be supported by the booming condominium market, but they reduced the attractiveness of conventional rental housing investment. Condominium developments crowded out rental developments

Limited supply and high costs stall rental development in Vancouver

Upon examination, it appears that the rental market trends in Calgary, Winnipeg, London and Montreal are working in a manner consistent with theory. In general, agents appear to have reacted rationally to market signals

With the exception of Vancouver, rental markets in the other centres are currently in various stages of over supply ranging from 3.7 per cent in Calgary to 7.2 in Montreal. Also, over the past year, rents have increased at less than the rate of inflation in all these centres. These factors combined with others such as high land costs in Vancouver have created market conditions that do not favour new rental investment in the short term It is difficult to predict the longer-term environment for new rental investment. Rents will have to rise sufficiently to bridge the gap between economic and market rents in most markets. A key area where government has a significant impact on rental investment is through ensuring there is a sufficient supply of pre-zoned land available for development. ■

DEFINITIONS:

AFFORDABILITY INDICATOR (page 5)

Potential First-Time Home Buyer:
All income earning renter households, distinguished as either family or non-family, between the ages of 20 and 44, including core need

Average Starter House Price:
The average starter house price is that of the NHA insured home which include the following house types, single, semi-detached, row, mobile and apartment condominium NHA insured homes are typically purchased by young first-time buyers with less than 25 per cent downpayment. The price was calculated on the average for each six-month period

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are from Statistics Canada

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance

Heating Costs:
Average heating costs representative of a starter home. Data are from Energy, Mines and Resources and include the Goods and Services Tax

Monthly Total Carrying Costs:
Total of monthly payments required for principal, interest, average property taxes and heating costs

Income Required to Carry a Mortgage:
The income necessary to service the mortgage payments at current interest rates, assuming a 32 per cent gross debt service ratio

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization. An interest rate of 11 per cent was used for the first half of 1991 and 9 5 per cent for the second half

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ISSN 1188-4487
Printed in Canada
Produced by the Public Affairs Centre, CMHC

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicator semi-annually. Enquiries regarding subscription should be directed to Manager, Marketing & Communications, CMHC Market Analysis Centre, 700 Montreal Road, Ottawa, Ontario K1A 0P7. Tel: (613) 748-2800 or Fax (613) 748-2402. Comments and requests for additional information may be referred to Sharon Olin, Manager, Local Markets Analysis, Market Analysis Centre, Ottawa. Tel. (613) 748-2582

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MARKETS
CMHC Market Analysis Centre
April 1992

Maximizing gains by minimizing interest

The risks and costs of financing a home vary with the mortgage rate. Recent experience with large swings in mortgage rates has interested borrowers in a variety of mortgage options that can reduce the costs of financing a home. What are the best ways of minimizing mortgage costs?

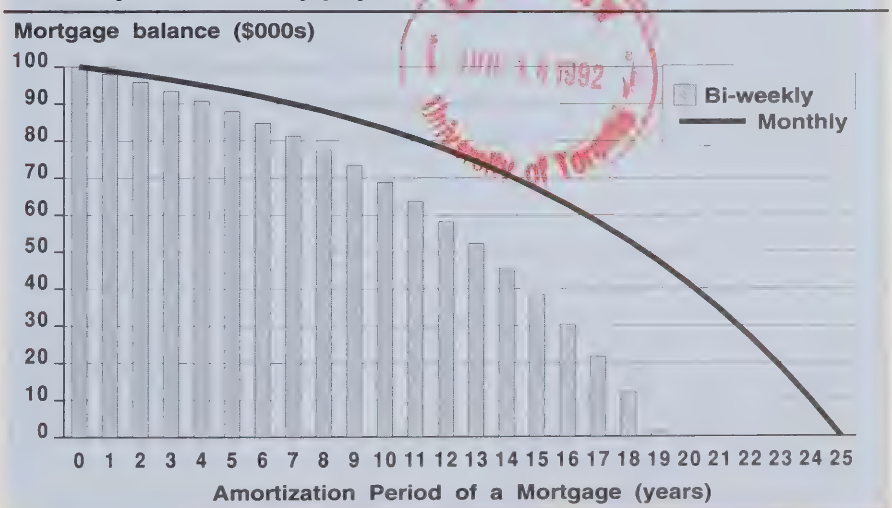
Any mortgage is made up of principal and interest payments. The homeowners objective in reducing the cost of a mortgage is to minimize the interest paid over the life of the mortgage. A mortgage of $100,000 will cost the borrower $158,309 in interest (at a 9.5 per cent rate) over a 25 year period making monthly payments. This cost can be reduced and the mortgage paid off faster by taking advantage of different repayment strategies.

The biggest saving in a mortgage can be realized by changing from monthly payments to weekly or bi-weekly payments. The main advantage in making bi-weekly payments comes from the additional principal payments. The borrower actually pays the equivalent of one extra monthly payment each year. By paying half of the monthly payment every two weeks, not twice a month, 26 payments are made each year rather than 24. The gain in this strategy is two-fold. First, the interest paid on the mortgage is over $60,000 lower on a $100,000 mortgage, second the life of the mortgage is reduced from 25 years to 19.1 years. This is shown in the graph. Many households will hardly notice the extra payments as many employers pay bi-weekly and the mortgage payments will correspond to the pay periods.

Rounding the mortgage payment up to the nearest $25 can also lead to savings on the interest paid. Again, the extra payment is applied to the principal so the outstanding balance of the mortgage reduces faster. For a $100,000 mortgage at 9.5 per cent the monthly payment would be $861.03 by making the payment $875.00 a month, over $11,000 in interest is saved and the life of the mortgage falls to 23.5 years. Using this strategy and paying bi-weekly reduces the life of the mortgage to 18.3 years and saves almost $66,000 in interest. The savings from paying bi-weekly and rounding the mortgage payment are shown in the table. *(see page 8)*

Most lending institutions offer borrowers the opportunity to make lump sum payments on their mortgage once a year. These lump sums can be as much as 15 per cent of the loan value. While not everyone has the extra cash to make these payments, it is another strategy that will reduce the interest cost of a mortgage. These payments reduce the principal faster and reduce the *continued on page 8*

Declining balance of a mortgage
Monthly vs. bi-weekly payments



SOURCE: CMHC

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Supply Available to Average Renter Households

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1991 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Victoria	Family	43,765	131,777	10.6	Apt. Condo
	Non-Family	35,109	105,714	6.1	Mobile; Older Apt. Condo
	Total	40,328	121,431	8.4	Apt. & Row Condo
Vancouver	Family	56,707	170,749	26.5	Older Bungalow; New Townhouse
	Non-Family	47,236	142,228	16.0	New Condo Apt.
	Total	52,199	157,174	19.2	Older Townhouse; New Condo Apt.
Edmonton	Family	46,919	141,276	66.0	New Split-level; Older Bungalow
	Non-Family	39,385	118,589	50.0	Older Bungalow; Condo
	Total	43,839	132,002	61.0	New Split-level; Older Bungalow
Calgary	Family	48,988	147,504	60.1	Older 2 Storey; Older Split-entry
	Non-Family	42,055	126,629	47.5	Older Condo
	Total	45,915	138,252	54.8	Older 2 Storey; Older Bungalow
Saskatoon	Family	43,301	130,380	90.0	Bungalow
	Non-Family	37,757	113,687	83.8	Bungalow
	Total	40,691	122,523	86.6	Bungalow
Regina	Family	39,994	120,423	86.1	Bungalow
	Non-Family	34,829	104,873	81.1	Bungalow
	Total	37,522	112,981	83.9	Bungalow
Winnipeg	Family	46,930	141,307	85.7	Bungalow; 2 Storey
	Non-Family	39,818	119,895	77.9	Old Bungalow; 1 1/2 Storey
	Total	43,768	131,789	83.4	Bungalow; 2 Storey
Thunder Bay	Family	49,960	150,433	70.0	Bungalow; 2 Storey; Split-level
	Non-Family	42,750	128,721	60.0	Older Bungalow; 1 1/2 & 2 Storey
	Total	47,418	142,778	67.1	Bung.; 2 Storey; Cheaper Split-level
Sudbury	Family	42,856	129,041	46.9	Bungalow
	Non-Family	38,237	115,133	34.9	Bungalow
	Total	41,482	124,904	44.3	Bungalow
Windsor	Family	57,339	172,649	79.6	2 Storey; Ranch
	Non-Family	47,121	141,884	69.6	Ranch; Bungalow; 1 1/2 &1 3/4 Storey
	Total	53,336	160,597	77.0	Bungalow; 1 1/2 & 1 3/4 Storey
London	Family	51,847	156,113	60.1	Split-level; Bungalow; 2 Storey
	Non-Family	42,033	126,563	39.6	Row Condo; Bung.; Semi-detached
	Total	47,820	143,987	52.8	Bungalow; Ranch; Split-level
Kitchener	Family	47,720	143,688	54.0	Condo
	Non-Family	40,409	121,675	72.0	Condo
	Total	45,122	135,864	61.0	Condo
St. Catharines-Niagara	Family	46,908	141,244	40.0	Bungalow
	Non-Family	40,278	121,279	26.0	Bungalow
	Total	44,787	134,856	34.0	Bungalow
Hamilton	Family	50,291	151,428	61.0	1 & 1 1/2 Storey; Townhouse
	Non-Family	40,875	123,077	34.0	1 1/2 Storey; Townhouse
	Total	46,686	140,573	52.0	1 & 1 1/2 Storey; Townhouse

Supply Available to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1991 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Toronto	Family	63,966	192,605	33.8	Condo Apt.; Thouse**; Semi; Older Bung.
	Non-Family	55,557	167,285	19.7	Condo Apt.; Townhouse
	Total	60,765	182,965	28.4	Condo Apt.; Townhouse; Semi-detached
Oshawa	Family	52,376	157,708	55.1	Older Bungalow; Smaller 2 Storey
	Non-Family	45,138	135,913	34.7	Townhouse; Semi-detached
	Total	50,215	151,200	49.9	Older Bungalow; Smaller 2 Storey
Ottawa	Family	55,030	165,697	59.0	Bung.; 2 storey; Condo. Apt. & Thouse
	Non-Family	45,043	135,627	41.0	Bung.; 2 storey; Condo. Apt. & Thouse
	Total	50,683	152,608	52.0	Bung.; 2 storey; Condo. Apt & Thouse
Hull	Family	44,897	135,186	76.0	Semi-detached
	Non-Family	38,444	115,757	61.0	Semi-detached
	Total	42,908	129,199	72.0	Semi-detached
Montreal	Family	49,111	147,877	68.9	Bungalow
	Non-Family	39,652	119,393	47.0	Condo
	Total	45,646	137,444	63.4	Bungalow
Trois-Rivières	Family	38,355	115,488	79.0	Bungalow
	Non-Family	32,606	98,177	68.0	Bungalow
	Total	36,473	109,822	75.0	Bungalow
Sherbrooke	Family	38,499	115,921	69.2	Older Bungalow; Suburban Bungalow
	Non-Family	33,546	101,010	60.3	Older Bungalow; Condo
	Total	36,767	110,707	66.2	Older Bungalow
Quebec	Family	45,043	135,626	80.9	Bungalow; Condo
	Non-Family	38,013	114,458	65.1	Bungalow; Condo
	Total	42,559	128,148	76.2	Bungalow; Condo
Chicoutimi-Jonquière	Family	41,515	125,003	85.8	Older Bungalow
	Non-Family	36,677	110,437	76.9	Older Bungalow
	Total	40,413	121,686	83.8	Older Bungalow
Saint John	Family	41,105	123,768	76.0	2 Storey, Existing
	Non-Family	36,605	110,219	67.0	New Split-entry
	Total	39,667	119,438	73.0	New Split-entry
Halifax	Family	43,669	131,488	70.2	Bungalow; Split-level; 2 Storey
	Non-Family	39,491	118,910	59.2	Bungalow; Split-level; 2 Storey
	Total	42,122	126,830	65.8	Bungalow; Split-level; 2 Storey
St. John's	Family	46,722	140,682	84.4	Newer Split-level
	Non-Family	46,290	139,382	83.7	Newer Split-level
	Total	46,593	140,292	84.4	Newer Split-level
Charlottetown	Family	40,950	123,301	65.6	Bungalow; 1 1/2 Storey
	Non-Family	37,758	113,691	57.7	Bungalow; 1 1/2 Storey
	Total	39,963	120,331	65.2	Bungalow; 1 1/2Storey

** Calculated with interest rates of 9.5 per cent*

*** Thouse refers to townhouse and appears throughout this table where space dictates.*

SOURCES: CMHC, CREA, Statistics Canada, and Energy, Mines & Resources

Lower interest rates increase supply for renters

A fall in interest rates during the latter stages of 1991 and early 1992 led to an increase in the supply of resale houses renters can afford to buy in all Census Metropolitan Areas (CMAs). Despite this, there still remains a wide diversity in the supply and type of housing available among CMAs. Higher priced markets such as Vancouver, Toronto, and Victoria, offer first time buyers a more limited supply of housing types, while markets like Saskatoon and Regina have a wide choice.

Reduced financing cost leads to higher affordable prices.

The average rate for a 3 year term mortgage fell from 11.5 per cent to 9.5 per cent from December 1991 to March 1992. This reduced the financing costs of home ownership and led to higher affordable prices for most renters. The maximum affordable house price is calculated from the average income of renters using the cost of carrying a mortgage based on a 10 per cent downpayment and the average 3 year term mortgage rate. Allowances for average residential property taxes and heating costs for a typical starter home are also included in the calculation.

Despite an improvement in the share of MLS* listings available to potential home buyers in British Columbia, the choice of house types is still limited to multiple units because of higher prices for single detached housing. Similarily, in Toronto the average renter has access to about 28 per cent of the resale supply, which includes mostly condominium apartments, rowhouses, and semi-detached units. In contrast, renters in Windsor and Thunder Bay have a wider range of single detached houses to choose from because of lower prices in these centres.

In Quebec, renters continue to have access to about two-thirds of resale listings. Renters could afford to buy over 60 per cent of the houses listed in all CMAs in Quebec. In most centres some type of detached housing unit is affordable. Oversupplied housing markets in Quebec have kept prices low.

The Prairie and Atlantic provinces offer first time buyers the largest selection of homes. Listings accessible to renters range from 54.8 per cent in Calgary to 84.4 per cent and 86.6 per cent in St. John's and Saskatoon respectively. Weak demand for housing in the Prairies and the Atlantic provinces has prevented prices from increasing.

Largest choice of homes in the Prairie and Atlantic provinces.

Affordability of housing will remain stable or decrease slightly as the economy enters a recovery phase in 1992. The recovery will lead to increases in house prices and a slight increase in interest rates. These factors coupled with limited income growth and increases in property taxes and heating costs will slightly reduce renters access to housing over the coming year.■

* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

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ISSN 1188-4487
Printed in Canada
Produced by the Public Affairs Centre, CMHC

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(Aussi disponible en français)

British Columbia leads recovery in 1992

Economic recovery will lead to stronger housing markets for most regions of Canada by the end of 1992. The recovery will be weak at the beginning of the year and become stronger as the year progresses. This will lead to an improved performance of the housing sector compared to 1991.

Vancouver moves to number one

B.C. will lead provincial housing markets in 1992 because of stronger economic conditions. Vancouver is expected to become the number one housing market in Canada, leading all markets in prices and sales of existing homes, with only Toronto expected to have a higher level of starts. Prices in Victoria will also show a solid increase in 1992, with sales forecast to increase slightly. Both Victoria and Vancouver will have significant increases in housing starts and prices of new, single homes.

Modest recovery for Prairies in '92.

The Prairie provinces are expected to begin a modest recovery in 1992, following a weak year in 1991. Edmonton and Calgary will continue to record steady increases in prices, sales, and starts supported by moderate improvement in the provincial economy. Regina should benefit from some large employers moving into Saskatchewan. Prices, sales and starts are expected to improve. Sales and starts in Winnipeg are expected to show some growth, while prices will increase only slightly. Despite the increase in housing activity, Manitoba and Saskatchewan are still low.

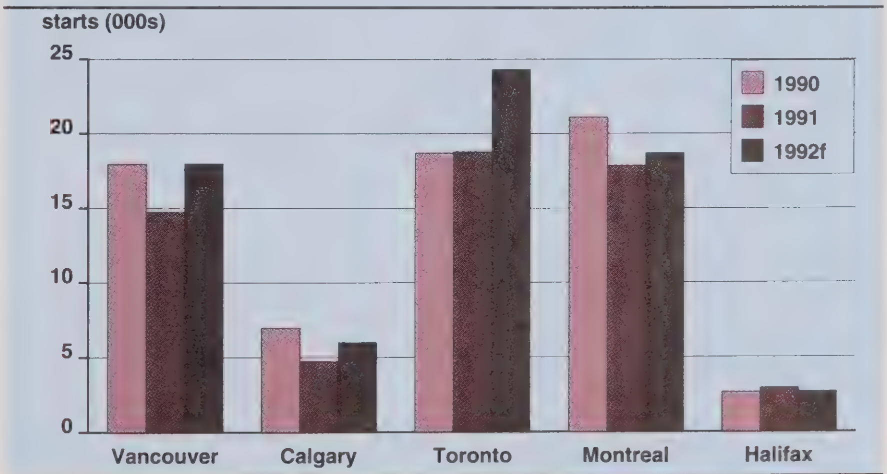
Continued weak conditions in Southern Ontario

Moderate economic growth in Ontario will lead to a mixed performance of the major centres in the province. Sales of existing homes are forecast to improve steadily, while prices will post small increases. Sudbury and Thunder Bay are expected to post among the largest increases. Toronto and Oshawa will be the exceptions where both sales and prices will decline. The strengthening economy will help starts to rebound strongly while the price of new units will vary by centre in 1992. In some centres the decline in new home prices will be due to the building of smaller, cheaper units targeted at first time buyers.

Fragile economic conditions in Quebec and an over supply of housing led to a weak performance in the housing sector in 1991. A gradual recovery in the provincial economy is expected to begin in 1992. The existing home market is forecast to improve in 1992 with sales increasing in all centres and prices rising in all centres except Hull. Prices of new units will increase moderately in all cities while the number of starts will fall everywhere except Montreal. The end of the new home ownership program will cause a fall in starts. A rebound in the resale market will reduce the oversupply of housing.

A slow recovery should begin in the Atlantic provinces in 1992 and help stabilize housing markets. Starts will increase in all major areas except Halifax and prices for new homes will rise slightly in all centres except Saint John in 1992. Sales and prices for existing homes are expected to continue improving in most markets in 1992.■

Total housing starts — selected CMAs 1990-1992



SOURCE: CMHC

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1990	124,700		2,588		221,930		6,080		179,200		0.7	0.3
	1991	127,300	2.1	2,129	-17.7	201,560	-9.2	8,536	40.4	191,800	7.0	1.3	0.8
	1992*	130,900	2.8	2,550	19.8	221,700	10.0	8,700	1.9	201,000	4.8	1.9	1.2
Vancouver	1990	789,000		17,970		350,860		19,795		267,800		0.9	0.9
	1991	813,000	3.0	14,769	-17.8	324,670	-7.5	32,103	62.2	264,080	-1.4	2.3	2.2
	1992*	833,000	2.5	18,000	21.9	340,000	4.7	34,660	8.0	290,490	10.0	2.6	2.1
Edmonton	1990	367,000		5,921		161,270		9,944		110,470		2.6	1.8
	1991	370,000	0.8	4,284	-27.6	173,270	7.4	11,636	17.0	114,980	4.1	3.5	2.3
	1992*	375,000	1.4	5,700	33.1	180,200	4.0	12,400	6.6	120,500	4.8	3.6	2.2
Calgary	1990	361,000		7,004		169,900		15,625		127,530		2.7	2.0
	1991	362,900	0.5	4,750	-32.2	176,870	4.1	15,597	-0.2	126,950	-0.5	4.1	3.7
	1992*	368,400	1.5	6,000	26.3	181,000	2.3	16,800	7.7	134,000	5.6	5.2	4.0
Saskatoon	1990	85,000		410		119,310		2,280		76,010†		10.1	7.4
	1991	85,000	0.0	305	-25.6	126,050	5.6	2,433	6.7	75,050†	-1.3	8.0	6.1
	1992*	86,000	1.2	465	52.5	120,140	-4.7	2,600	6.9	76,550†	2.0	8.5	7.5
Regina	1990	90,600		471		135,430		2,453		71,420†		7.4	5.0
	1991	89,400	-1.3	189	-59.9	124,240	-8.3	2,429	-1.0	68,810†	-3.7	5.3	5.5
	1992*	90,400	1.1	425	124.9	135,000	8.7	2,650	9.1	72,000†	4.6	6.0	5.0
Winnipeg	1990	312,000		2,147		118,950		8,431		83,940		5.7	6.4
	1991	304,000	-2.6	1,349	-37.2	129,940	9.2	8,559	1.5	84,430	0.6	5.9	6.6
	1992*	308,000	1.3	1,700	26.0	132,000	1.6	9,300	8.7	85,000	0.7	6.2	5.8
Thunder Bay	1990	62,500		629		179,510		1,121		102,090		2.0	1.0
	1991	60,800	-2.7	771	22.6	163,140	-9.1	1,255	12.0	103,760	1.6	1.4	1.0
	1992*	61,800	1.6	549	-28.8	180,000	10.3	1,343	7.0	109,570	5.6	1.3	1.4
Sudbury	1990	61,300		1,468		152,890		2,009		107,520		0.6	0.7
	1991	61,000	-0.5	1,758	19.8	157,800	3.2	2,071	3.1	112,430	4.6	1.1	0.7
	1992*	61,700	1.1	1,700	-3.3	159,700	1.2	2,275	9.9	118,200	5.1	1.1	2.0
Windsor	1990	122,700		1,588		193,930		3,949		104,840		2.1	2.5
	1991	116,100	-5.4	1,279	-19.5	194,240	0.2	4,427	12.1	104,100	-0.7	3.8	3.3
	1992*	119,000	2.5	1,550	21.2	197,000	1.4	4,650	5.0	107,000	2.8	3.8	3.2
London	1990	160,200		2,905		227,430		5,466		134,910		2.9	2.8
	1991	163,700	2.2	2,350	-19.1	227,820	0.2	6,007	9.9	134,550	-0.3	4.0	3.8
	1992*	166,000	1.4	2,400	2.1	238,000	4.5	6,300	4.9	138,600	3.0	4.0	3.7
Kitchener	1990	176,700		2,981		248,570		3,501		159,720		1.3	1.3
	1991	174,800	-1.1	2,131	-28.5	221,230	-11.0	3,579	2.2	155,200	-2.8	4.7	4.3
	1992*	177,000	1.3	2,775	30.2	220,000	-0.6	3,500	-2.2	158,000	1.8	4.0	3.5
St. Catharines-Niagara	1990	150,700		2,506		199,040		2,460		135,820		1.9	2.1
	1991	145,000	-3.8	1,357	-45.8	194,930	-2.1	2,525	2.6	134,890	-0.7	2.9	2.9
	1992*	146,900	1.3	1,760	29.7	194,000	-0.5	2,900	14.9	136,900	1.5	3.0	2.5
Hamilton	1990	316,400		2,969		268,470		7,116		165,740		0.9	1.3
	1991	296,500	-6.3	2,498	-15.9	278,030	3.6	7,881	10.8	160,950	-2.9	1.5	1.6
	1992*	298,000	0.5	3,300	32.1	270,000	-2.9	9,000	14.2	162,000	0.7	1.8	1.7

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Toronto	1990	1,935,000		18,723		384,540		26,779		255,020		0.7	1.0
	1991	1,831,000	-5.4	18,814	0.5	359,880	-6.4	38,144	42.4	234,310	-8.1	1.6	1.8
	1992*	1,804,000	-1.5	24,300	29.2	315,000	-12.5	36,500	-4.3	210,000	-10.4	2.0	1.8
Oshawa	1990	101,000		2,189		249,760		3,837		165,380		1.6	1.8
	1991	99,000	-2.0	2,596	18.6	215,160	-13.9	5,627	46.7	153,120	-7.4	3.7	3.4
	1992*	100,000	1.0	3,050	17.5	200,000	-7.0	5,400	-4.0	142,500	-6.9	3.0	3.3
Ottawa	1990	355,000		4,860		203,730		8,289		141,440		1.9	0.5
	1991	348,000	-2.0	4,475	-7.9	208,320	2.3	8,399	1.3	143,360	1.4	1.1	0.8
	1992*	353,000	1.4	5,600	25.1	210,400	1.0	8,700	3.6	146,200	2.0	1.3	1.0
Hull	1990	134,500		3,309		125,220		1,814		86,350		3.6	4.2
	1991	138,100	2.7	3,346	1.1	121,700	-2.8	1,376	-24.1	96,930	12.3	5.1	4.9
	1992*	141,000	2.1	2,415	-27.8	121,700	0.0	1,486	8.0	95,020	-2.0	4.2	4.4
Montreal	1990	1,430,000		21,101		131,540		15,836		115,430		4.5	5.4
	1991	1,395,000	-2.4	17,882	-15.3	127,800	-2.8	15,743	-0.6	117,750	2.0	5.3	7.2
	1992*	1,405,000	0.7	18,700	4.6	130,500	2.1	18,000	14.3	122,000	3.6	7.4	8.3
Trois-Rivières	1990	52,900		1,400		76,500		574		69,500		6.1	7.6
	1991	53,500	1.1	1,133	-19.1	78,000	2.0	675	17.6	71,500	2.9	7.4	8.3
	1992*	53,300	-0.4	1,115	-1.6	79,500	1.9	690	2.2	74,000	3.5	7.9	7.6
Sherbrooke	1990	62,800		1,179		97,947		906		84,200		7.3	9.7
	1991	58,800	-6.4	1,105	-6.3	98,825	-2.2	924	2.0	83,200	-1.2	9.2	9.7
	1992*	57,800	-1.7	921	-16.7	103,766	3.6	1,000	8.2	87,400	5.0	8.6	9.5
Quebec	1990	294,200		5,972		90,700		3,484		79,700		4.1	5.7
	1991	291,900	-0.8	6,523	9.2	93,400	3.0	3,671	5.4	83,200	4.4	4.3	5.6
	1992*	291,900	0.0	5,500	-15.7	97,000	3.9	3,850	4.9	87,300	4.9	5.3	6.2
Chicoutimi-Jonquière	1990	58,800		1,128		81,190		1,615		77,700		3.6	5.1
	1991	58,000	-1.4	955	-15.3	80,290	-1.1	1,376	-14.8	73,800	-5.0	4.8	5.7
	1992*	57,100	-1.6	900	-5.8	81,500	1.5	1,560	13.4	75,700	2.6	4.5	5.0
Saint John	1990	54,000		589		96,249		1,130		80,720		3.9	4.1
	1991	54,000	0.0	441	-25.1	110,033	14.3	1,111	-1.7	83,330	3.2	4.0	4.9
	1992*	54,500	0.9	500	13.4	108,000	-1.8	1,250	12.5	86,250	3.5	5.0	5.2
Halifax	1990	161,000		2,647		119,800		4,004		109,750		4.4	3.5
	1991	158,000	-1.9	2,938	11.0	119,700	-0.1	3,791	-5.3	110,200	0.4	4.1	4.8
	1992*	160,000	1.3	2,700	-8.1	124,000	3.6	4,400	16.1	115,700	5.0	5.6	6.1
St. John's	1990	73,900		1,434		122,500		1,939		88,940		4.6	1.8
	1991	73,000	-1.2	1,108	-22.7	129,500	5.7	1,799	-7.2	91,120	2.5	4.8	6.9
	1992*	70,500	-3.4	1,150	3.8	132,000	1.9	1,900	5.6	91,000	-0.1	7.3	7.0
Charlottetown	1990	24,750**		538		115,600		227		91,400		5.5	3.0
	1991	23,850	-3.6	347	-35.5	112,700	-2.5	264	16.3	96,300	5.4	6.6	5.2
	1992*	24,000	0.6	405	16.7	118,000	4.7	300	13.6	100,000	3.8	8.4	6.0

* *Forecast by CMHC*

** *Estimated from PEI labour force.*

† *Average MLS price*

SOURCES: CMHC, Statistics Canada, local real estate boards

continued from page 1 amount of interest paid. Making payments of $5,000 each year, on the $100,000 mortgage, will result in the mortgage being paid off in about 10 years.

The final strategy borrowers can employ is probably the most difficult. Choosing appropriate renewal terms for a mortgage can minimize the interest paid, even though it will not reduce the life of the mortgage. To take advantage of this strategy the borrower must be able to read current market conditions as well as anticipate future conditions. Choosing shorter or longer terms depending on the expected change in rates can reduce the interest paid on a mortgage. The problem here is to be able to assess the future conditions. The choice of terms will depend on where the interest rate cycle is at the time of renewal and what the rate of change of the cycle is expected to be. There are no rules of thumb that really apply to this option as market conditons can change rapidly. This has been seen in 1991 when rates were high at the beginning of the year, but by the end of the year had dropped more substantially than most analysts had forecast.

Many of the repayment options presented here are easily employed at low cost to the borrower, but yield large savings. Not all borrowers may be able to make lump sum payments, but may be able to handle making bi-weekly payments or rounding up the mortgage payment. Taking advantage of these options can reduce the interest cost of a mortgage in the long run and that means more money in the borrowers own pocket.■

Interest savings on a $100,000 mortgage for different repayment options

	Periodic Payment	Total Principal Paid	Total Interest Paid	Life of Mortgage	Total Interest Saved
Monthly	861.03	100,000	158,309	25.0	0
Bi-weekly	430.51	100,000	97,693	19.1	60,346
Monthly (rounded)	875.00	100,000	147,026	23.5	11,283
Bi-weekly (rounded)	437.50	100,000	92,372	18.3	65,937

Note: The results presented in this table are based on a 9.5 per cent interest rate and a 25 year amortization period.

DEFINITIONS:

SUPPLY INDICATOR (pages 2 & 3)

Household Income:
Average income of private renter households aged 20 to 44 and with income above core need income thresholds. Core need income thresholds are the eligibility income levels for NHA social housing programs.

Renter Household Types:
Renter households are either classified as a non-family household which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total household refers to all households, family and non-family.

Maximum Affordable House:
Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment at the current mortgage rate and a 10 per cent down payment. Average property taxes and average heating costs are included.

Property Taxes:
Average municipal property taxes for a dwelling owned and occupied by its owner. Data are from Statistics Canada and are averages for all types of housing.

Heating Costs:
Average heating costs representative of a 1,200-1,400 sq.ft. starter home. The cost is based on the principal fuel type for the CMA.

Supply Available:
The per cent of MLS listings at and below the maximum affordable house price.

Most Prevalent House Type:
The house types most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

ECONOMIC & HOUSING MARKET INDICATORS (pages 6 & 7)

Total Employment:
Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:
Total housing starts is defined as the total number of starts for all housing types for the year.

Average Absorbed, Single New House Price:
The average single, occupied, new house price is defined as the weighted average price of absorbed single units for the year.

Number of MLS Sales (residential):
The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year.

Average Single House MLS Price:
The average single house MLS price is the weighted average price of single family homes (listed through the MLS service) for the year.

Three-Unit Structures Vacancy Rate:
The three-unit structure vacancy rate is the overall vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

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CANADIAN HOUSING

MARKETS

CMHC Market Analysis Centre July 1992

Lower interest rates enable first-time buyers to afford higher priced homes

In the first half of 1992, the per cent of renters who could afford to buy a home improved slightly or remained stable in over two-thirds of the Census Metropolitan Areas (CMA's) in Canada. This was due to continued low mortgage interest rates and increases in household incomes.

The average price of all existing resale homes insured under the National Housing Act (NHA) is viewed as representative of what first time buyers are purchasing and is used as the price for the affordability indicator. A comparison of the average NHA price between the last half of 1991 and the first half of 1992 showed an increase in price in about two-thirds of the CMAs. In many markets the average price increased because a greater number of larger, higher quality homes were sold, rather than due to actual increases in house prices. However, some markets did experience a rise in house prices.

Low mortgage interest rates have significantly reduced the cost of buying a house and enabled consumers to afford higher priced homes. This contributed to the relative stability in the number of renters who could afford starter homes.

The three year term mortgage rate has fallen continued on page 6

Per Cent of Renters Who Can Afford To Buy A Home

CENSUS METROPOLITAN AREAS (CMA)	FAMILY JAN.-JUNE 1992	FAMILY JULY-DEC. 1991	NON-FAMILY JAN.-JUNE 1992	NON-FAMILY JULY-DEC. 1991	TOTAL JAN.-JUNE 1992	TOTAL JULY-DEC 1991
Victoria	12.2	15.3	4.6	5.9	8.7	11.0
Vancouver	27.6	29.5	13.5	14.7	20.5	22.0
Edmonton	46.3	46.5	30.1	30.4	39.3	39.6
Calgary	41.3	40.6	27.5	26.9	35.0	34.3
Saskatoon	52.8	52.8	43.9	43.8	48.6	48.5
Regina	50.6	50.1	42.8	42.2	47.0	46.4
Winnipeg	50.6	49.9	37.0	36.1	44.3	43.6
Thunder Bay	56.4	56.3	38.2	38.1	49.8	49.8
Sudbury	38.6	38.5	24.5	24.5	34.2	34.1
Windsor	55.1	54.8	43.3	42.9	50.5	50.1
London	42.2	38.0	25.1	21.6	34.6	30.7
Kitchener	39.1	31.0	21.8	17.0	32.7	25.8
St. Catharines-Niagara	40.5	37.5	29.0	26.0	36.7	33.7
Hamilton	34.8	33.1	20.1	18.2	29.1	27.4
Toronto	33.4	29.9	18.9	16.7	27.4	24.4
Oshawa	39.6	35.1	25.0	35.0	35.5	31.2
Ottawa	40.2	39.2	23.0	22.3	32.4	31.5
Hull	46.0	45.9	31.2	31.1	41.1	41.0
Montréal	43.5	41.9	23.3	21.9	35.2	33.6
Trois-Rivières	46.0	45.0	29.6	28.7	40.0	39.0
Sherbrooke	42.9	40.3	25.2	22.9	35.7	33.2
Quebec	52.7	52.3	31.6	31.1	44.0	43.6
Chicoutimi-Jonquière	53.6	53.1	43.0	42.4	51.1	50.5
Saint John	45.7	46.2	38.5	39.0	43.9	44.3
Halifax	48.6	48.6	34.0	34.0	42.9	42.9
St. John's	53.4	56.4	52.9	56.0	53.4	56.4
Charlottetown	45.9	44.4	35.5	34.4	40.9	39.7

SOURCES: CMHC, Statistics Canada

New CMHC program enables more renters to become home owners

On February 3, 1992 Canada Mortgage and Housing Corporation (CMHC) lowered the minimum downpayment requirement to 5 per cent from 10 per cent to qualify for a NHA insured mortgage. The purpose of the First Home Loan Insurance program is to assist potential first-time buyers who experience problems saving for the initial down payment, but are willing to substitute non-housing debt for housing debt to achieve home ownership.

This article compares the impact of a 5 per cent downpayment versus a 10 per cent downpayment on the per cent of renters who can afford to buy a starter home in a number of cities in Canada.

The calculation for determining the relative affordability of renters based on a 5 per cent downpayment also assumes a 5 year mortgage interest rate and a 35 per cent gross debt service (GDS) ratio. These are the only assumptions that are different from CMHC's affordability indicator which assumes a 10 per cent down payment, a three year mortgage interest rate and a 32 per cent GDS ratio. The assumptions for a starter home price, a 25 year amortization period, average heating costs for a starter home and an average residential property tax for the CMA were not changed. The 5 year interest rate and 35 per cent GDS are used with the 5 per cent downpayment as these are provisions of the First Home Loan Insurance Program.

The table shows that a 5 per cent down payment and the substitution of housing debt for non-housing debt results in an increase in the number of potential renter households who can afford a home in all the Census Metropolitan Areas (CMA).

By the end of May,1992, about 25,000 first-time buyers were able to access home ownership as a result of this new program.

The First Home Loan Insurance program will be in effect for two years at which time it will be reviewed to confirm whether it is meeting the policy objectives. ■

Impact of 5% and 10% Downpayments on Renter Households

% Who Can Afford to Buy a Starter Home

CMA	5% Down	10% Down
Victoria	9.3	8.7
Vancouver	21.1	20.5
Calgary	36.0	35.0
Saskatoon	49.7	48.6
Toronto	28.3	27.4
Windsor	51.2	50.5
Hull	42.5	41.1
Montreal	36.6	35.2
Saint John	44.9	43.9
St. John's	54.3	53.4

SOURCE: CMHC

More balance in rental markets in the 1990s

With the exception of B.C. and Alberta, markets for rental apartments have been weakening in various regions of Canada since the mid 1980s. Vacancy rates are higher in the Atlantic provinces, Ontario, and Quebec, as well as in Manitoba and Saskatchewan. Rent increases have also been the weakest in these provinces. In fact, after adjusting for inflation, rents have been declining in real terms in these provinces since 1989.

This article looks at regional differences in the availability of private rental units and rents being charged, reviews some of the causes of these differences and provides an outlook for the expected performance of rental markets over the next ten years.

What factors influence the performance of rental markets at the local level? The strength of the regional economy, job creation, migration, the number of households formed in those age groups who typically rent rather than own and the cost of homeownership versus the cost of renting, all have a strong influence on the demand for rental apartments. The supply of rental units is affected by the demand, the availability of land, financing costs of new rental buildings and the expected return on investment.

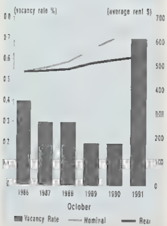
B.C. markets have few vacancies and highest rents

Since the 1982 recession, B.C. has experienced significant economic growth, increases in jobs and strong international and interprovincial migration. All these factors have led to a high demand for rental housing. However, developers have been building a smaller number of rental *continued on page 3*

continued from page 2 units because of an inadequate supply of zoned land, high construction costs, and lower rates of return for rental projects compared to alternative types of investment.

This has meant that there is an insufficient number of rental units in the major centres in B.C. which report some of the lowest vacancy rates in the country. Victoria's vacancy rate for all two-bedroom apartments has been below 1.0 per cent since October 1986. This low supply has allowed real rents (a real rent is the dollar value of the rent after adjusting for inflation) to increase.

Vacancy rates, real and nominal rents — Victoria



SOURCE: CMHC and Statistics Canada
NOTE: Rents and vacancy rates are for 2 bedroom units in buildings with six or more units. 1986 is used as the base year for real rents.

Weak economies contribute to weak rental markets in Saskatchewan and Manitoba

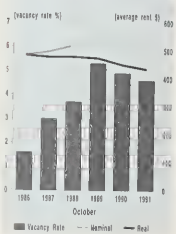
In the Prairie Region, the Alberta economy has performed the strongest. Diversification in energy, forestry and petro-chemical industries has enabled the province to create jobs and attract immigrants. This has had a positive effect on the demand for rental units and vacancy rates have been declining in many markets since 1987.

There has been a low demand for housing in Manitoba and Saskatchewan. Excess supply and low prices for wheat along with low demand and prices for mining products in world markets have caused weak economic conditions. Out-migration coupled with limited job creation led to rising vacancy rates in the two provinces since the mid-1980s. In Winnipeg, overbuilding has also contributed to the relatively high vacancy rates. As a result, rent increases have been well below the rate of inflation. In 1990 real rents actually declined in Winnipeg. In both provinces, an over-supply of rental units has limited new construction.

Improved availability of apartments for rent in most Ontario centres

Like B.C., Ontario experienced strong economic growth during the second-half of the 1980s. High levels of employment and migration to Ontario's cities as well as high house prices led to a strong demand for rental housing. Demand outpaced supply and in most centres, apartment vacancy rates remained below 2.0 per cent.

Vacancy rates, real and nominal rents — Winnipeg



SOURCE: CMHC and Statistics Canada
NOTE: Rents and vacancy rates are for 2 bedroom units in buildings with six or more units. 1986 is used as the base year for real rents.

However, since 1990 the availability of apartments has been improving because of declines in employment and improvements to affordability of home ownership, doubling up of households and migration to other provinces with better job opportunities.

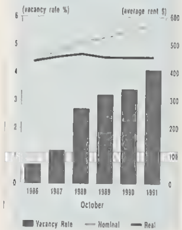
In London, there has been an overbuilding of rental housing. As a result, by October 1991 the two-bedroom apartment vacancy rate had increased to over 4.0 per cent

continued on page 4

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators semi-annually. Enquiries regarding subscription should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9. Tel.: (819) 956-4802. Fax: (819) 994-1498. Comments and requests for additional information may be referred to Pip White, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2579
© 1992, Canada Mortgage and Housing Corporation
ISSN 1186-4467
Catalogue No. NH12-7E Regular subscription (4 issues) $44.00 plus applicable taxes
Printed in Canada
Produced by the Public Affairs Centre, CMHC (Aussi disponible en français)

continued from page 3 Controlled by the provincial government's rent control legislation, rents in Ontario have increased at about the rate of inflation in most centres. Real rents in London have generally been declining due to the oversupply condition.

Vacancy rates, real and nominal rents — London



SOURCE: CMHC and Statistics Canada
NOTE: Rents and vacancy rates are for 2 bedroom units in buildings with six or more units. 1986 is used as the base year for real rents.

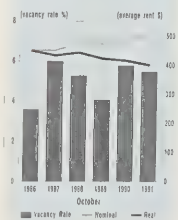
Quebec rental markets are overbuilt

Many Quebec rental markets are suffering from high vacancy rates because of a combination of factors such as limited job creation, out-migration, overbuilding and government programs (recently terminated) that encouraged home ownership. High vacancy rates have also led to limited annual changes in rents. In fact, real rents have been decreasing in Quebec City. The vacancy rate in Quebec City has stabilized in the last few years, but at a relatively high level.

Economic conditions in the Atlantic provinces have been weak for most of the 1980s as well as the early 1990s. Declining fish stocks and low commodity prices have hampered economic growth. This led to limited increases in employment and fewer people moving to Atlantic Canada. However, rental markets adjusted to the lower demand with lower levels of new construction. Similar to Quebec City, this led to stable but high vacancy rates which were followed by declines in real rental rates.

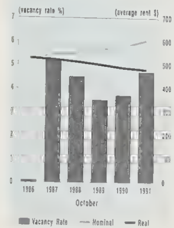
Over the next ten years, changes in the Canadian population and economic recovery are expected to lead to increased demand for rental housing. Although a decline of about 9 per cent is projected in the 25 to 34 age group, many of whom are renters, and a 4 per cent increase in the 15 to 24 year age group (typical renters), there will be an increase in those aged between 55 and 64 and those over 65 by about [illegible] and 28 per cent respectively. These older age groups show a greater tendency to rent

Vacancy rates, real and nominal rents — Quebec City



SOURCE: CMHC and Statistics Canada
NOTE: Rents and vacancy rates are for 2 bedroom units in buildings with six or more units. 1986 is used as the base year for real rents.

Vacancy rates, real and nominal rents — Halifax



SOURCE: CMHC and Statistics Canada
NOTE: Rents and vacancy rates are for 2 bedroom units in buildings with six or more units. 1986 is used as the base year for real rents.

rather than to own which should offset some of the lower demand created by fewer younger households.

The increase in demand from older renters could offset the current oversupply in many rental markets, provided that construction of new units is limited. The opportunity for construction of additional new private rental housing would depend on the demand/ supply balance in each region and the expected rates of return on rental projects compared to other types of investment. In regions with a limited supply of affordable private apartments there has also been an increase in competition for tenants from more affordable unconventional forms of rental accommodation such as basement suites etc... These demographic and market factors will result in fewer new private rental units being constructed in the 1990s, compared to the large numbers of units built in Canada during the 1970s and early 1980s. ■

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREAS (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JAN-JUN 1992	JUL-DEC 1991	JAN-JUN 1992	JUL-DEC 1991	JAN-JUN 1992	JUL-DEC 1991	JAN-JUN 1992	JUL-DEC 1991	JAN-JUN 1992	JUL-DEC 1991	JAN-JUN 1992	JUL-DEC 1991
Victoria	150,740	134,110	1,199	1,065	2,013	2,013	963	963	1,447	1,313	54,270	49,250
Vancouver	158,660	143,930	1,262	1,143	1,962	1,962	449	449	1,463	1,344	54,870	50,410
Edmonton	96,630	93,950	769	746	1,914	1,914	546	546	974	951	36,510	35,670
Calgary	110,640	109,670	880	871	1,965	1,965	621	621	1,096	1,087	41,090	40,750
Saskatoon	65,740	64,190	523	510	1,500	1,500	663	663	703	690	26,370	25,880
Regina	63,060	61,450	502	488	1,715	1,715	642	642	698	684	26,180	25,670
Winnipeg	68,990	67,590	549	537	2,337	2,337	824	824	812	800	30,460	30,010
Thunder Bay	94,950	89,520	755	711	1,480	1,480	952	952	958	914	35,930	34,270
Sudbury	98,730	93,350	785	741	1,698	1,698	920	920	1,004	960	37,640	35,990
Windsor	89,260	87,530	710	695	1,679	1,679	642	642	904	889	33,880	33,320
London	114,900	115,660	914	919	1,746	1,746	696	696	1,118	1,122	41,910	42,080
Kitchener	121,530	126,740	967	1,007	2,125	2,125	696	696	1,202	1,242	45,070	46,570
St. Catharines-Niagara	100,880	103,110	803	819	1,705	1,705	589	589	994	1,010	37,260	37,880
Hamilton	127,090	127,130	1,011	1,010	2,109	2,109	685	685	1,244	1,243	46,640	46,600
Toronto	163,740	170,260	1,303	1,352	2,330	2,330	631	631	1,549	1,599	58,100	59,970
Oshawa	130,980	135,950	1,042	1,080	2,064	2,064	621	621	1,266	1,271	47,460	48,860
Ottawa	124,030	121,990	987	969	2,869	2,869	685	685	1,283	1,265	48,110	47,440
Hull	83,460	81,260	664	645	1,869	1,869	1,209	1,209	920	902	34,520	33,820
Montreal	92,970	93,650	740	744	2,272	2,272	1,177	1,177	1,027	1,031	38,510	38,670
Trois-Rivières	61,690	61,900	491	492	1,573	1,573	1,263	1,263	727	728	27,260	27,300
Sherbrooke	70,780	73,390	563	583	1,605	1,605	1,295	1,295	805	825	30,180	30,920
Quebec	73,220	72,350	582	575	1,952	1,952	1,295	1,295	853	845	31,990	31,690
Chicoutimi-Jonquière	61,430	60,750	489	483	1,445	1,445	1,338	1,338	721	714	27,020	26,790
Saint John	66,610	62,850	530	499	875	875	1,134	1,134	697	667	26,150	25,000
Halifax	86,880	82,290	691	654	1,524	1,524	1,027	1,027	904	866	33,890	32,480
St. John's	80,350	72,480	639	576	894	894	1,241	1,241	817	754	30,640	28,260
Charlottetown	72,150	73,810	574	586	1,070	1,070	1,091	1,091	754	766	28,280	28,740

SOURCES CMHC, Statistics Canada and Energy, Mines & Resources

continued from page 1 from a high of 11 per cent in July of 1991 to a low of 9 per cent in June 1992. In calculating the Affordability Measure, average heating costs for a starter house and average property taxes were not adjusted in the first half of 1992

St. John's and Chicoutimi most affordable centres

St. John's and Chicoutimi-Jonquière are the most affordable CMAs with over 50 per cent of renters being able to afford home ownership Victoria and Vancouver are the least affordable cities in Canada, with 8.7 per cent and 20.5 per cent of renters being able to afford a starter home. In these two centres there was a marked increase in the average NHA price of resale homes due to a larger number of higher priced homes being sold. In Toronto the proportion of renters who can afford to buy improved to 27.4 per cent from 24.4 per cent in December 1991 This was due to lower house prices and lower interest rates

Saskatchewan Manitoba and the Atlantic provinces continue to have some of the most affordable housing markets in the country. More than 40 per cent of renters living in CMAs in these regions can afford to buy a starter home

Most major urban centres in Ontario and Quebec showed a small improvement in access to home ownership. With the exception of Toronto and Hamilton, at least one third of renter households are now able to buy a starter home in all other CMAs in these provinces

Affordability expected to remain stable

Affordability is expected to remain stable for the rest of 1992 and into 1993 Economic recovery has been slow which has contributed to the stability in affordability over the past six months House prices and interest rates are expected to remain close to their current levels for the rest of the year and post moderate increases in 1993

How do we calculate the affordability indicator?

CMHC's indicator measures the relative affordability of starter homes by first-time buyers or renter households between the ages of 20 and 44 in Census Metropolitan Areas. The calculation for the required income to afford a typical starter home is based on the following assumptions, renter households have a 10 per cent downpayment; a 32 per cent gross debt service ratio; a three year mortgage interest rate; a 25 year amortization period; average heating costs for a starter home, and average residential property taxes for the CMA ■

DEFINITIONS:

Affordability Indicator

Per Cent of Renters Who can afford.
This represents the per cent of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group (even those in core need) are included in the analysis

Average Starter House Price:
The average starter house price is defined as the average price for an NHA insured home which includes the following house types: single, semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are from Statistics Canada

Heating Costs:
Average heating costs representative of a starter home Data are from Energy, Mines, and Resources and include the Goods and Services Tax

Total Monthly Carrying Costs:
Total of monthly payments required for principal, interest average property taxes, and heating costs

Income Required to Carry a Mortgage:
The income necessary to service the mortgage payments at current interest rates, assuming a 32 per cent gross debt service ratio

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization period. An interest rate of 9.5 per cent was used for the second half of 1991 and a rate of 9.52 per cent was used for the first half of 1992

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October 1992

Affordable Supply Improves in Most Centres

Relatively low interest rates and small increases in household incomes over the past six months allowed the supply of affordable homes for renter households to increase in most Census Metropolitan Areas (CMAs) in Canada. The range of supply and types of dwelling available differ dramatically across the country. The more expensive markets such as Vancouver, Toronto, and Victoria offer first time buyers a smaller percentage of listings and more limited choice of house types than markets such as St. John's, Saskatoon, and Winnipeg.

Atlantic Provinces Offer Large Selection

Renter households in St. John's have the largest percentage of affordable housing in the country. All other CMAs in the Atlantic region have at least 60 per cent of resale homes listed at a price the average renter household can afford. The large proportion of listings available means that most house types are affordable for first time buyers. In fact, single detached homes are the most popular choice amongst first time buyers in the Atlantic centres.

Supply Increasing in Quebec

The percentage of homes affordable to the average renter household increased in the past six months for most Quebec centres. All CMAs in Quebec have at least 65 per cent of listings for resale homes available at a price first time buyers can afford. Renters have a wide range of house types available and most buyers are choosing a single detached home.

Ontario Supply Mixed

Renter households in most cities in Ontario have fewer homes to choose from as the percentage of affordable housing has declined in the last six months. Toronto, however, had an increase in affordable listings. Despite the drop in many cities there is still a good supply of listings available at affordable prices for renter households. In all cities except Toronto and St. Catharines the supply of listings of resale homes was above 40 per cent. First time buyers can afford and are choosing a single detached home in most markets.

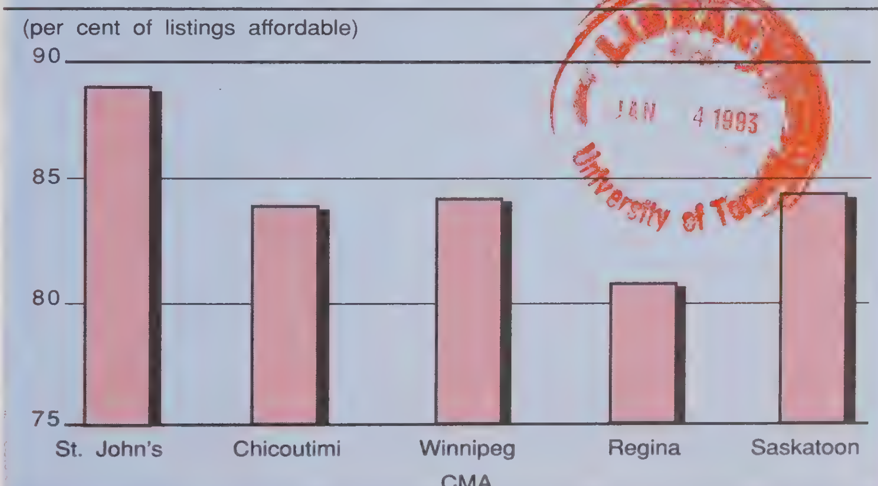
Prairie Markets Offer Large Supply

The proportion of listings of existing homes affordable by the average renter household is amongst the largest in the country in prairie markets. Only St. John's has a larger percentage of affordable housing available than Saskatoon and Winnipeg. All CMAs on the prairies have at least 50 per cent of the listings for resale homes affordable for first time buyers. The choice of dwellings is also large and single detached homes are the popular choice of renters choosing to buy.

Supply Increase for B.C. Renters

A larger percentage of resale listings is affordable *continued on page 8*

Centres with the Largest Percentage of MLS* Listings Affordable to the Average Renter Household



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SOURCE: Local Real Estate Boards.
** Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

Supply Available to Average Renter Households

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1992 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVALENT HOUSE TYPES
Victoria	family	45,150	137,830	15.0	condo apt/townhouse; mobile home
	non-family	36,220	110,570	8.6	condo apt.; mobile home
	total	41,610	127,030	11.2	condo apt/townhouse; mobile home
Vancouver	family	59,570	181,850	28.0	older bungalow; newer townhouse
	non-family	49,620	151,480	18.6	newer condo apt.
	total	54,830	167,380	21.7	older townhouse; new condo apt.
Edmonton	family	48,000	146,530	72.0	new small split; new small 2 storey
	non-family	40,300	123,030	56.0	older 1 1/2 storey; new thouse* *condo
	total	44,850	136,920	67.0	new smaller split; older bungalow
Calgary	family	50,190	153,220	61.0	newer 2 storey; split-level
	non-family	43,090	131,540	47.0	older bungalow; row condo
	total	47,040	143,600	55.0	bungalow; 2 storey; split-level
Saskatoon	family	44,900	137,070	87.6	newer 2 storey
	non-family	39,150	119,520	81.8	older 2 storey
	total	42,200	128,830	84.6	newer 2 storey
Regina	family	41,920	127,970	86.7	bungalow
	non-family	36,510	111,460	80.4	bungalow
	total	39,330	120,070	80.8	bungalow
Winnipeg	family	47,800	145,920	88.7	bungalow; 2 storey
	non-family	40,560	123,820	79.2	older bungalow; 1 1/2 storey
	total	44,580	136,090	84.4	older bungalow
Thunder Bay	family	54,750	167,140	78.9	all types except new split-levels
	non-family	46,840	143,000	68.9	newer bungalow; older split-level
	total	51,960	158,620	74.4	all types except new split-levels
Sudbury	family	46,790	142,840	46.9	bungalow
	non-family	41,740	127,420	34.9	bungalow
	total	45,290	138,260	44.3	bungalow
Windsor	family	58,870	179,720	80.2	1 1/2 or 1 3/4 storey; bungalow
	non-family	48,380	147,690	65.9	1 1/2 or 1 3/4 storey; bungalow
	total	54,760	167,170	75.8	1 1/2 or 1 3/4 storey; bungalow
London	family	54,740	167,110	66.7	split-level; bungalow
	non-family	44,380	135,480	48.1	bungalow; row condo
	total	50,490	154,140	60.0	split-level; bungalow
Kitchener	family	50,970	155,600	55.0	bungalow
	non-family	43,160	131,760	40.0	1 1/2 storey; condo
	total	48,190	147,110	65.0	bungalow
St. Catharines-Niagara	family	48,810	149,010	37.0	bungalow
	non-family	41,910	127,940	25.8	bungalow
	total	46,600	142,260	34.8	bungalow
Hamilton	family	51,720	157,890	52.0	2 storey
	non-family	42,040	128,340	32.0	1 1/2 storey; row house
	total	48,010	146,560	46.0	1 storey

Supply Available to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1992 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVALENT HOUSE TYPES
Toronto	family	64,990	198,400	40.0	semi-detached; link single; thouse
	non-family	56,450	172,330	26.0	townhouse; condo apartment
	total	61,740	188,480	35.0	semi-detached; thouse; condo
Oshawa	family	53,710	163,970	64.0	bungalow; 2 storey
	non-family	46,290	141,310	46.0	bungalow
	total	51,490	157,190	59.0	bungalow; 2 storey
Ottawa	family	56,000	170,960	60.3	condo apt.; bungalow
	non-family	45,840	139,940	42.8	condo apt.; condo. row
	total	51,580	157,460	46.8	condo apt.; bungalow
Hull	family	45,430	138,690	73.5	bungalow
	non-family	38,900	118,750	62.9	bungalow
	total	43,410	132,520	71.8	bungalow
Montreal	family	49,950	152,490	70.0	all types of housing
	non-family	40,330	123,120	52.0	all types of housing
	total	46,430	141,740	65.0	all types of housing
Trois-Rivières	family	40,450	123,490	81.0	single family; condo
	non-family	34,390	104,990	71.0	single family; condo
	total	38,470	117,440	78.0	single family; condo
Sherbrooke	family	40,610	123,970	74.0	older bungalow; suburban bungalow
	non-family	35,380	108,010	60.3	older bungalow; condo
	total	38,780	118,390	69.1	older bungalow
Québec	family	45,740	139,630	82.4	all types except executive style
	non-family	38,600	117,840	67.9	all types except executive style
	total	43,220	131,940	77.7	all types except executive style
Chicoutimi-Jonquière	family	43,500	132,800	84.8	standard bungalow
	non-family	38,430	117,320	79.3	standard bungalow
	total	42,350	129,290	84.1	standard bungalow
Saint John	family	40,970	125,070	78.4	most types of single-detached
	non-family	36,490	111,400	71.8	most types of single-detached
	total	39,540	120,710	76.6	most types of single-detached
Halifax	family	44,740	136,580	72.6	bungalow; 2 storey
	non-family	40,460	123,520	63.4	bungalow; 2 storey
	total	43,160	131,760	70.7	bungalow; 2 storey
St. John's	family	53,140	162,230	89.0	bungalow; modest 2 storey
	non-family	52,640	160,700	89.0	bungalow; modest 2 storey
	total	52,990	161,770	89.0	bungalow; modest 2 storey
Charlottetown	family	40,420	123,390	60.0	all types
	non-family	37,270	113,780	52.0	all types
	total	39,450	120,430	60.0	all types

** Calculated with interest rates of 9.3 per cent*
*** Thouse refers to townhouse and appears throughout this table where space dictates.*
SOURCES: CMHC, local Real Estate Boards and Statistics Canada.

Improving Housing Situation a Major Reason for Moving

A new study of residential mobility in Canada has some interesting findings relating to the mobility of Canadians, the reasons for moving and the nature of moves. The study also contains the results of the first national survey to ask respondents questions on both residential moves and housing satisfaction or dissatisfaction.

The findings indicate that Canada is a nation of movers — in 1989 alone, 3.6 million people over 15 years of age or about 18 per cent of adults changed their residence. In the five years before 1990, close to half (48 per cent) of all respondents had moved once. In the ten years before 1990, close to two-thirds of adults changed residence. The largest proportion, 21 per cent, moved just once; 13 per cent made two moves; and 10 per cent, three moves. Another 20 per cent, however, moved four or more times during the decade.

Canadians' number one motivation for moving was to change their housing situation. In fact, two out of every three moves occurred for reasons such as purchasing a home, moving to a larger home, or to a better neighborhood.

The reasons for moving also varied with the movers' age and tenure status. For people aged 25-54, buying a home and the desire for a larger home were the reasons most frequently cited, whereas for people aged 65 and over, the need for a smaller home became paramount. While housing-related reasons ranked high for both owners and renters, purchasing a home was the number one reason why owners had moved.

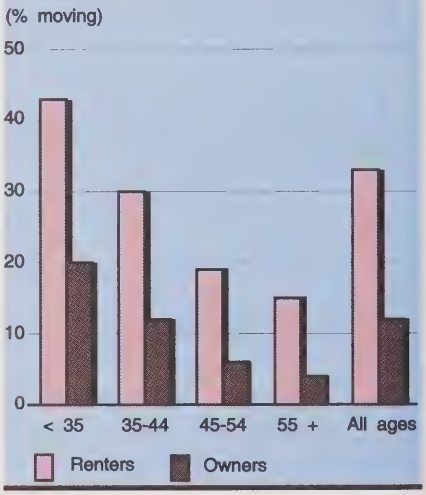
Employment considerations ranked second as a motive for moving, with about 15 per cent of movers making their last move for job-related reasons. Family-related reasons accounted for nearly as many moves as employment considerations. Almost 14 per cent of all moves occurred for reasons such as marriage, separation, wanting to be closer to family, or taking care of a family member.

The study also found that:

- Across Canada, Albertans and British Columbians had the highest mobility rates: more than one-fifth of them moved in 1989 and well over half had moved in the previous five years.
- Moving peaks in the summer months of June, July and August, which together accounted for one-third of all moves.
- Most movers do not go far: the majority of moves (81 per cent) involve no more than 50 kilometers, equivalent to about 30 minutes' driving time.

The age, tenure status and educational attainment of adult Canadians were found to be highly associated with residential moves. Younger people, renters, and the well educated are the most likely to undertake a residential move. Homeowners, particularly those over 45 years of age, are the least likely to move.

Mobility by Age and Tenure
Per Cent Moving in 1989



SOURCE: "Residential Mobility of Canadians", Statistics Canada.

Top Five Reasons for Moving, by Age at Last Move
Canada, 1990

	Age at last move					
Reasons	15-24	25-34	35-44	45-54	55-64	65 and over
	(Rank Order)					
Purchase home	1	1	1	1	2	5
Larger home	3	2	2	2	4	–
Better neighbourhood	–	4	3	3	1	2
Own work	5	3	4	4	–	–
Establish household	4	5	–	–	–	–
Marriage	2	–	–	–	–	–
Separation	–	–	5	–	–	–
Smaller home	–	–	–	5	3	1
Retirement	–	–	–	–	5	4
Closer to family	–	–	–	–	5	3

– Not one of top five reasons.

SOURCE: "Residential Mobility of Canadians", Statistics Canada, 1992.

The majority of Canadians (90 per cent) were satisfied with their current housing and only 8 per cent expressed dissatisfaction. The primary complaint among the 1.6 million dissatisfied residents was that their housing was too small. The next two most common reasons for dissatisfaction were the desire to own rather than rent and dwelling costs.

The study concludes that if the experience in the last five years is any guide, close to half of Canadian adults will move within the next five years. The main reasons will likely be: the desire to become homeowners, *continued on page 8*

First Time Buyers Spark Recovery

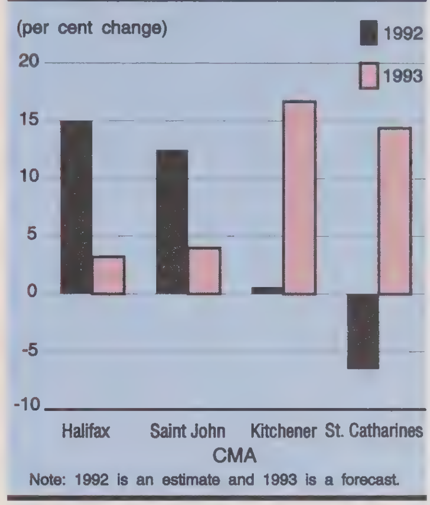
Recovery in Canadian housing markets will be driven by first time buyers for the remainder of 1992 and through 1993. Record low mortgage rates and federal government incentive programs have made home buying an attractive option to many renter households. In 1992 the number of starts and sales will increase in 10 of 26 metropolitan areas, while 18 of 26 cities will have increases in both starts and sales in 1993.

The new home markets in western Census Metropolitan Areas (CMAs) will be the strongest in 1992. Starts in Regina are projected to increase by over 250 per cent by the end of 1992 due to the relocation of the Farm Credit Corporation and Crown Life. In contrast, the weakest markets are in Quebec where a provincial government program assisting first time buyers ended in 1991. This has led to declines in starts for all centres in that province in 1992 as most first time buyers purchased homes under the program.

Vancouver and Victoria will lead the country in percentage increases in price for new homes in both 1992 and 1993. The recession had little effect on the performance of the provincial economy and this has sustained demand for new homes. Price increases in most other markets will be minimal and in Toronto they will drop over the same period, despite improving starts numbers. This is due to builders building lower priced homes for first time buyers.

The general improvement in economic conditions has resulted in a recovery in existing home markets in most CMAs across the country. Sales and prices will rise in most markets in both 1992 and 1993. The percentage increase in sales for Halifax and Saint John will be among the largest in the country in 1992. Most markets in Ontario will increase the number of sales and prices for resale housing in 1992 and 1993. The largest percentage increases in sales in Canada will be in Kitchener and St. Catharines in 1993.

Annual Percentage Growth in MLS Sales, 1992-1993

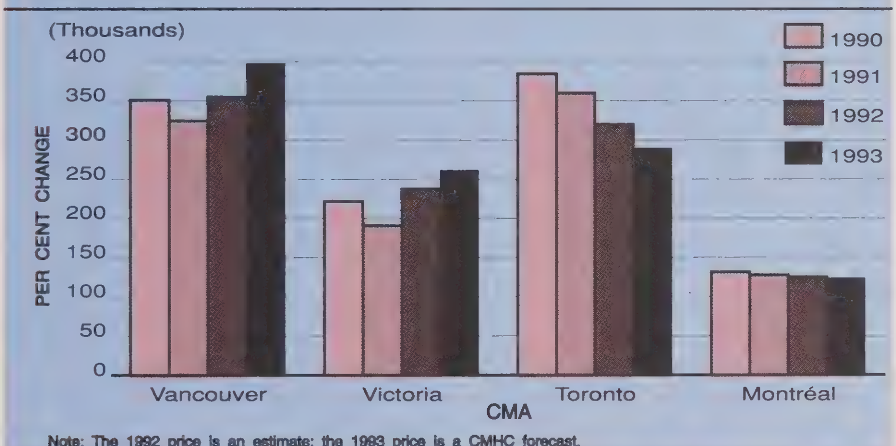


SOURCE: Local Real Estate Boards; forecast by CMHC.

Similar to the new home market, the largest percentage increases in prices for existing homes will take place in Vancouver and Victoria in 1992 and 1993 as demand for housing remains strong. In Toronto, the average price of existing homes will decline in 1992 with a modest increase in 1993.

The effects of the recession and the speed of the recovery is different across the country. This is reflected in the strength of the housing markets. Those areas that were not hit as severely by the recession are showing strength in the new home markets and sustaining activity in the resale market. In areas where the recession was deep and the recovery is taking longer to gather steam the existing market has recovered first through 1992 and the new home markets will improve in 1993. ■

New Home Prices, 1990-1993



SOURCE: CMHC.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators semi-annually.
Comments and requests for additional information may be referred to Pip White, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2579.
Enquiries regarding subscription should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9. Tel.: (819) 956-4802; Fax: (819) 994-1498.

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ISSN 1188-4487
Catalogue No. NH12-7E Regular subscription (4 issues) $44 plus applicable taxes.
Printed in Canada
Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*.

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES	
												APR. %	OCT. %
Victoria	1991	127,300		2,129		191,000		8,536		191,800		1.3	0.8
	1992	129,000	1.3	2,350	10.4	238,000	24.6	7,900	-7.5	220,000	14.7	2.6	1.5
	1993*	132,000	2.3	2,550	8.5	262,000	10.1	8,100	2.5	238,000	8.2	2.0	1.4
Vancouver	1991	813,000		14,769		324,620		32,103		264,080		2.3	2.2
	1992	820,000	0.9	18,500	25.3	355,000	9.4	33,000	2.8	295,000	11.7	2.8	1.6
	1993*	843,000	2.8	21,250	14.9	398,000	12.1	33,900	2.7	315,000	6.8	2.7	2.3
Edmonton	1991	370,000		4,284		173,270		11,636		114,980		3.5	2.3
	1992	375,000	1.4	5,700	33.1	170,000	-1.9	12,400	6.6	119,500	3.9	3.8	4.0
	1993*	383,000	2.1	5,800	1.8	177,000	4.1	12,000	-3.2	125,000	4.6	4.2	3.0
Calgary	1991	362,900		4,750		176,870		15,597		126,950		4.1	3.7
	1992	360,000	-0.8	6,250	31.6	172,000	-2.8	16,800	7.7	131,000	3.2	5.2	5.5
	1993*	365,000	1.4	5,700	-8.8	181,000	5.2	15,900	-5.4	136,000	3.8	5.0	3.8
Saskatoon	1991	85,000		305		126,050		2,433		75,050†		8.1	6.2
	1992	86,000	1.2	400	31.1	130,000	3.1	2,800	15.1	74,500†	-0.7	7.6	4.4
	1993*	87,000	1.2	400	0.0	130,000	0.0	2,800	0.0	76,000†	2.0	5.6	4.8
Regina	1991	89,400		189		124,240		2,429		73,800†		5.3	5.5
	1992	88,400	-1.1	670	254.5	132,500	6.6	3,000	23.5	75,000†	1.6	5.3	3.6
	1993*	89,400	1.1	675	0.7	137,500	3.8	2,850	-5.0	77,000†	2.7	5.0	5.0
Winnipeg	1991	304,000		1,349		129,940		8,559		84,430		5.9	6.6
	1992	304,000	0.0	1,700	26.0	134,000	3.1	9,600	12.2	85,000	0.7	5.9	6.1
	1993*	308,000	1.3	2,150	26.5	136,500	1.9	10,250	6.8	86,500	1.8	5.0	4.5
Thunder Bay	1991	60,800		771		163,140		1,255		103,760		1.4	1.0
	1992	60,200	-1.0	533	-30.9	162,000	-0.7	1,387	10.5	109,980	6.0	2.1	2.5
	1993*	61,300	1.8	641	20.3	169,300	4.5	1,415	2.0	113,280	3.0	2.3	2.2
Sudbury	1991	61,000		1,758		157,800		2,071		112,430		1.1	0.7
	1992	61,100	0.2	1,324	-24.7	155,400	-1.5	2,110	1.9	115,500	2.7	2.1	2.5
	1993*	63,200	3.4	1,393	5.2	161,300	3.8	2,220	5.2	122,300	5.9	3.4	3.0
Windsor	1991	116,100		1,279		194,240		4,427		104,100		3.8	3.3
	1992	117,500	1.2	1,429	11.7	193,000	-0.6	4,700	6.2	106,500	2.3	3.6	3.3
	1993*	122,000	3.8	1,554	8.7	200,000	3.6	4,900	4.3	110,500	3.8	2.7	2.4
London	1991	163,700		2,222		227,820		6,007		134,550		4.0	3.8
	1992	160,700	-1.8	1,825	-17.9	225,000	-1.2	6,200	3.2	135,300	0.6	4.1	3.4
	1993*	164,500	2.4	2,415	32.3	231,500	2.9	6,500	4.8	139,500	3.1	3.6	3.1
Kitchener	1991	174,800		2,131		221,230		3,579		155,200		4.7	4.3
	1992	180,000	3.0	2,100	-1.5	210,000	-5.1	3,600	0.6	148,000	-4.6	4.2	4.4
	1993*	184,000	2.2	2,200	4.8	215,000	2.4	4,200	16.7	152,500	3.0	3.7	3.5
St. Catharines-Niagara	1991	145,000		1,357		194,930		2,525		134,890		2.9	2.9
	1992	142,600	-1.7	1,704	25.6	194,000	-0.5	2,360	-6.5	132,300	-1.9	2.9	3.4
	1993*	147,800	3.6	1,530	-10.2	194,500	0.3	2,700	14.4	134,300	1.5	3.3	3.2
Hamilton	1991	296,500		2,498		278,030		7,881		160,950		1.5	1.6
	1992	296,800	0.1	2,300	-7.9	232,000	-16.6	8,000	1.5	155,000	-3.7	2.4	2.3
	1993*	305,100	2.8	2,700	17.4	237,000	2.2	8,500	6.3	160,000	3.2	2.5	2.0

Economic and Housing Market Indicators (cont'd)

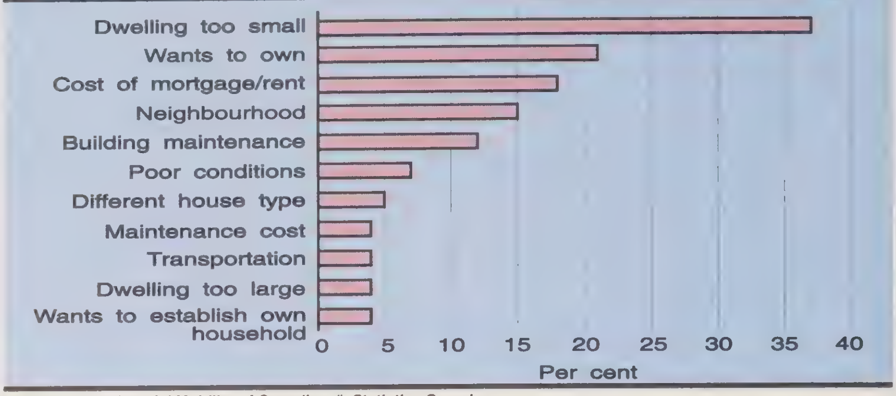
CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Toronto	1991	1,831,000		18,814		359,880		38,144		234,310		1.6	1.8
	1992	1,784,000	-2.6	21,600	14.8	320,000	-11.1	42,500	11.4	218,000	-7.0	1.9	2.2
	1993*	1,818,000	1.9	26,700	23.6	290,000	-9.4	43,500	2.4	223,000	2.3	2.3	2.1
Oshawa	1991	99,000		2,596		215,160		5,627		153,120		3.7	3.4
	1992	103,000	4.0	2,350	-9.5	195,000	-9.4	5,600	-0.5	146,000	-4.6	4.4	6.1
	1993*	106,000	2.9	2,250	-4.3	200,000	2.6	5,800	3.6	149,000	2.1	5.0	4.4
Ottawa	1991	348,000		4,475		208,320		8,399		143,360		1.1	0.8
	1992	343,500	-1.3	5,400	20.7	205,000	-1.6	8,800	4.8	144,500	0.8	1.4	1.3
	1993*	353,500	2.9	5,900	9.3	209,000	2.0	9,200	4.5	148,000	2.4	1.6	1.2
Hull	1991	138,100		3,346		121,700		1,376		96,930		5.1	4.9
	1992	139,400	0.9	1,900	-43.2	121,160	-0.4	1,610	17.0	96,970	0.0	4.2	3.7
	1993*	141,900	1.8	1,700	-10.5	124,190	2.5	1,834	13.9	99,880	3.0	3.8	3.4
Montréal	1991	1,395,000		17,882		127,800		15,743		117,750		5.3	7.2
	1992	1,385,000	-0.7	15,700	-12.2	125,000	-2.2	18,000	14.3	116,000	-1.5	6.4	7.7
	1993*	1,400,000	1.1	16,700	6.4	124,000	-0.8	19,600	8.9	120,000	3.4	6.0	7.0
Trois-Rivières	1991	53,500		1,133		78,000		675		71,500		7.4	8.3
	1992	50,000	-6.5	765	-32.5	79,500	1.9	714	5.8	71,500	0.0	7.9	7.0
	1993*	50,300	0.6	920	20.3	80,500	1.3	778	9.0	73,500	2.8	7.1	6.8
Sherbrooke	1991	58,800		1,105		92,200		924		83,200		9.2	9.7
	1992	55,600	-5.4	875	-20.8	94,300	2.3	975	5.5	83,000	-0.2	8.6	9.3
	1993*	57,200	2.9	990	13.1	95,500	1.3	1,100	12.8	83,900	1.1	8.0	8.1
Québec	1991	291,900		6,523		93,400		3,671		83,200‡		4.3	5.6
	1992	286,900	-1.7	6,400	-1.9	94,300	1.0	4,000	9.0	81,400‡	-2.2	5.3	6.3
	1993*	288,900	0.7	6,100	-4.7	97,100	3.0	3,800	-5.0	83,000‡	2.0	5.6	5.6
Chicoutimi-Jonquière	1991	58,000		955		80,290		1,376§¶		73,800¶		4.8	5.7
	1992	56,800	-2.1	740	-22.5	79,500	-1.0	1,445§	5.0	75,500	2.3	4.8	7.1
	1993*	56,500	-0.5	800	8.1	81,500	2.5	1,525§	5.5	78,100	3.4	4.4	4.6
Saint John	1991	54,000		441		110,033		1,111		83,330		4.0	4.9
	1992	53,000	-1.9	500	13.4	110,033	0.0	1,250	12.5	85,000	2.0	5.9	6.0
	1993*	53,500	0.9	550	10.0	110,033	0.0	1,300	4.0	88,250	3.8	5.6	5.0
Halifax	1991	158,000		2,938		119,700		3,791		110,200		4.1	4.8
	1992	153,000	-3.2	2,700	-8.1	120,900	1.0	4,360	15.0	111,900	1.5	5.5	5.7
	1993*	158,000	3.3	3,225	19.4	122,710	1.5	4,500	3.2	114,100	2.0	5.3	5.1
St. John's	1991	73,100		1,108		129,500		1,799		91,120		4.8	6.9
	1992	68,100	-6.8	1,000	-9.7	126,000	-2.7	1,750	-2.7	91,000	-0.1	7.3	5.6
	1993*	69,600	2.2	1,150	15.0	130,000	3.2	1,900	8.6	93,000	2.2	7.5	7.5
Charlottetown	1991	23,900		347		112,700		264		96,300		6.6	5.2
	1992	23,500	-1.7	330	-4.9	118,000	4.7	280	6.1	97,000	0.7	8.5	6.4
	1993*	24,000	2.1	350	6.1	120,000	1.7	300	7.1	98,000	1.0	7.1	6.3

** Forecast by CMHC*
† Average MLS price.
‡ Average price for single-detached, semi-detached, row and apartment.
§ MLS sales data are from TEELA.
¶ Revised due to improved data.
SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 4 changing housing needs, because their job will change or a variety of other reasons. While there is no way to predict exactly how many people will move, why, or when they will do it, an important factor will continue to be Canadians' desire for a better housing situation. ■

This article summarizes the detailed findings of a new report entitled " Residential Mobility of Canadians", by Janet Che-Alford, Statistics Canada, 1992. The report can be obtained from CMHC by calling (613) 748-2367.

Reasons for Housing Dissatisfaction, Canada 1990



SOURCE: "Residential Mobility of Canadians", Statistics Canada.

DEFINITIONS:

SUPPLY INDICATOR (pages 2 & 3)

Renter Household Types:
Renter households are either classified as a non-family household which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family.

Average Income
Defined as the average income of private renter households aged 20 to 44 and with income above core need income thresholds. Core need income thresholds are the eligibility income levels for NHA social housing programs.

Maximum Affordable House Price:
The maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment at the current mortgage rate and a 10 per cent down payment.

Supply Available:
The per cent of MLS listings at and below the maximum affordable house price. The MLS listings are supplied by local real estate boards.

Most Prevalent House Type:
The house type most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

ECONOMIC & HOUSING MARKET INDICATORS (pages 6 & 7)

Total Employment:
Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:
Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:
The single new house price is defined as the weighted average price of absorbed (sold) units for the year.

Number of MLS Sales (residential):
The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales are supplied by local real estate boards.

Single MLS Average Price:
The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit Structures Vacancy Rate:
The three-unit structure vacancy rate is the overall vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

continued from page 1 for the average renter household in Vancouver and Victoria compared to six months ago. Despite the increase in the percentage of listings available to renters, these two centres have the most limited supply in the country.

The supply of affordable housing for renter households is forecast to remain stable for the rest of 1992 and through 1993. The slow economic recovery should lead to stable interest rates and, limited income growth, and keep price increases low. These factors will limit the growth of the supply of existing housing available to renter households at affordable prices. ■

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- Rental Market Survey Reports for all major metropolitan areas (semi-annual)
- Local Market Housing Reports (monthly/quarterly)

Lacking 1st Quarter, 1993

CA1
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-C15

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Publications

CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
Second Quarter 1993

Housing recovery moderating

FORECAST HIGHLIGHTS

- ***Total starts for all centres combined will be up for the second year in a row, but the growth rate will be cut in half.***
- ***Resales will slip after a strong 1992.***
- ***Vancouver house prices to hit record high.***
- ***Mortgage rates to hover around 25 year low.***
- ***Employment growth widespread across centres but modest.***
- ***Vacancy rates high and rising in many centres.***

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While a housing recovery is underway in many Canadian centres, its strength is moderating because of slow employment growth and weak consumer confidence. Starts for all metropolitan areas combined are forecast to increase by 2.4 per cent in 1993, down from nearly 6 per cent in 1992. However, nine of the 27 centres highlighted in the Housing and Economic Indicators table on page 2 are forecast to increase in both sales and starts this year.

Interest rates will be attractive for home buyers throughout 1993 allowing five-year mortgage rates to slip near the 25-year low reached last September. Tame inflation and the slow pace of the economic upturn will ensure that interest rates stay down. Attractive rates coupled with small price increases will keep most markets affordable.

While affordability has been improving in most centres, first time buying activity in many markets is slowing after a stronger than expected showing in 1992. Affordability will still be key to sustaining growth in many Canadian housing markets as the economy remains sluggish and it becomes harder to entice the ever shrinking pool of first-time buyers into the market. However, affordability will not be the driving force behind the Vancouver and Victoria markets which will hit record price levels in 1993 and remain the least affordable areas in Canada.

Modest Employment Growth Forecast in Most Centres

Employment growth in 1993 will be widespread across metropolitan areas with 23 of the 27 major centres forecast to see a net gain in jobs. However, the overall rate of increase will be modest at about 1 per cent. As a result the pace of the housing recovery will be moderate.

As shown in the Summary of Employment Forecasts, the majority of centres will begin to recover some, or all, jobs lost during the last recession in 1993. Six centres — Victoria, Calgary, Saskatoon, Oshawa, Kitchener, and London — will get back to their pre-recession employment *continued on page 4*

Summary of Employment Forecasts by Stage in Cycle

Did not experience downturn	Recovered to pre-recession level	Recovering but employment below pre-recession level	Stable	Continued decline
Vancouver	London	St. John's	Saint John	Sherbrooke
Edmonton	Kitchener	Halifax	Sudbury	Chicoutimi
	Saskatoon	Québec	Charlottetown	
	Calgary	Montreal		
	Oshawa	Hamilton		
	Victoria	St. Catharines		
		Windsor		
		Thunder Bay	Toronto*	
		Winnipeg		
		Regina		
		Trois-Rivières		
		Ottawa		
		Hull		

**Toronto declined and is forecast to stabilize in 1993.*
SOURCE: CMHC forecast.

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Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS* SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1991	127,300		2,129		201,560		8,536		191,800		1.3	0.8
	1992	125,700	-1.3	2,421	13.7	240,150	19.1	8,142	-4.6	222,400	16.0	2.6	1.5
	1993**	128,200	2.0	2,600	7.4	264,000	9.9	8,380	2.9	239,000	7.5	2.1	1.2
Vancouver	1991	813,000		14,769		324,670		32,103		264,080		2.3	2.2
	1992	821,000	1.0	18,684	26.5	369,495	13.8	37,073	15.5	297,150	12.5	2.8	1.6
	1993**	835,000	1.7	21,000	12.4	420,000	13.7	34,850	-6.0	326,000	9.7	2.0	1.4
Edmonton	1991	370,000		4,284		173,495		11,636		114,977		3.5	2.3
	1992	370,000	0.0	6,764	57.9	168,672	-2.8	12,772	9.8	119,326	3.8	3.8	4.0
	1993**	373,000	0.8	6,400	-5.4	175,400	4.0	11,500	-10.0	122,900	3.0	5.5	5.5
Calgary	1991	363,670		4,750		175,532		15,597		126,954		4.1	3.7
	1992	361,000	-0.7	7,034	48.1	174,674	-0.5	17,857	14.5	128,571	1.3	5.2	5.5
	1993**	366,000	1.4	6,100	-13.3	184,000	5.3	16,500	-7.6	134,000	4.2	7.0	6.0
Saskatoon	1991	86,000		305		126,050		2,433		75,050†		8.1	6.2
	1992	84,000	-2.3	464	52.1	130,800	3.8	2,828	16.2	74,946†	-0.1	7.5	4.3
	1993**	86,800	3.3	660	42.2	130,000	-0.6	2,620	-7.4	76,000†	1.4	6.7	4.9
Regina	1991	89,400		189		132,114		2,429		68,810†		5.3	5.5
	1992	87,800	-1.8	666	252.4	138,294	4.7	2,910	19.8	72,373†	5.2	5.1	3.6
	1993**	88,400	0.7	700	5.1	141,000	2.0	2,600	-10.7	75,000†	3.6	4.6	3.8
Winnipeg	1991	304,000		1,349		129,940		8,559		85,150		5.9	6.6
	1992	297,000	-2.3	1,620	20.1	136,495	5.0	10,386	21.3	85,300	0.2	5.9	6.1
	1993**	299,000	0.7	1,800	11.1	144,000	5.5	10,400	0.1	86,850	1.8	5.7	5.2
Thunder Bay	1991	60,800		771		163,447		1,358		102,650		1.4	1.0
	1992	58,200	-4.3	563	-27.0	163,558	0.1	1,594	17.4	108,648	5.8	2.1	2.5
	1993**	59,200	1.7	754	33.9	176,427	7.9	1,642	3.0	111,907	3.0	3.2	3.4
Sudbury	1991	61,000		1,758		157,800		2,071		112,430		1.1	0.7
	1992	60,900	-0.2	1,289	-26.7	161,100	2.1	2,151	3.9	115,020	2.3	2.1	2.5
	1993**	61,200	0.5	1,246	-3.3	161,000	-0.1	2,150	0.0	115,000	0.0	5.1	4.0
Windsor	1991	116,000		1,279		194,237		4,427		104,101		3.8	3.3
	1992	115,000	-0.9	1,376	7.6	188,056	-3.2	4,874	10.1	106,230	2.0	3.6	3.3
	1993**	118,000	2.6	1,609	16.9	190,000	1.0	4,800	-1.5	108,500	2.1	3.0	2.4
London	1991	164,000		2,222		227,824		6,007		134,552		4.0	3.8
	1992	164,000	0.0	1,553	-30.1	224,447	-1.5	6,285	4.6	135,962	1.0	4.1	3.5
	1993**	168,000	2.4	2,845	83.2	225,000	0.2	6,100	-2.9	140,200	3.1	3.9	3.5
Kitchener	1991	174,800		2,131		221,232		3,590		154,725		4.7	4.3
	1992	186,100	6.5	2,240	5.1	204,860	-7.4	3,949	10.0	145,015	-6.3	4.2	4.4
	1993**	188,147	1.1	2,260	0.9	209,000	2.0	4,100	3.8	148,000	2.1	5.3	5.3
St. Catharines-Niagara	1991	144,500		1,357		194,937		2,522		134,937		2.9	2.9
	1992	142,200	-1.6	1,669	23.0	196,599	0.9	2,431	-3.6	128,990	-4.4	2.9	3.4
	1993**	143,500	0.9	1,431	-14.3	198,600	1.0	2,650	9.0	130,650	1.3	5.3	5.3
Hamilton	1991	295,400		2,498		278,034		7,881		160,953		1.5	1.6
	1992	290,000	-1.8	2,632	5.4	223,734	-19.5	8,608	9.2	151,037	-6.2	2.4	2.3
	1993**	293,000	1.0	2,700	2.6	225,000	0.6	8,000	-7.1	151,000	0.0	2.8	2.6

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	% CHG	TOTAL HOUSING STARTS	% CHG	SINGLE NEW HOUSE PRICE $	% CHG	NUMBER OF MLS* SALES (RES.)	% CHG	SINGLE MLS AVERAGE PRICE $	% CHG	3 UNIT STRUCTURES VACANCY RATES	
												APR. %	OCT. %
Toronto	1991	1,824,000		18,814		359,880		38,144		234,310		1.6	1.8
	1992	1,775,000	-2.7	20,770	10.4	322,678	-10.3	41,703	9.3	214,971	-8.3	1.9	2.2
	1993**	1,775,000	0.0	21,300	2.6	290,000	-10.1	39,500	-5.3	210,000	-2.3	2.1	2.4
Oshawa	1991	99,000		2,596		215,160		5,627		153,120		3.7	3.4
	1992	104,000	5.1	2,188	-15.7	195,990	-8.9	5,507	-2.1	145,011	-5.3	4.4	6.1
	1993**	116,000	11.5	1,350	-38.3	185,000	-5.6	4,900	-11.0	143,000	-1.4	5.8	6.0
Ottawa	1991	348,000		4,475		208,320		8,399		143,360		1.1	0.8
	1992	339,200	-2.5	5,830	30.3	204,100	-2.0	9,089	8.2	143,868	0.4	1.4	1.3
	1993**	344,000	1.4	5,600	-3.9	208,000	1.9	9,000	-1.0	145,300	1.0	1.8	1.5
Hull	1991	138,100		3,346		121,700		1,376		96,930		5.1	4.9
	1992	136,100	-1.4	2,368	-29.2	130,900	7.6	1,560	13.4	94,827	-2.2	4.2	3.7
	1993**	137,100	0.7	2,200	-7.1	134,000	2.4	1,750	12.2	95,000	0.2	3.6	3.4
Montreal	1991	1,396,000		17,882		127,800		15,743		117,750		5.3	7.2
	1992	1,378,000	-1.3	14,520	-18.8	126,400	-1.1	18,063	14.7	116,300	-1.2	6.4	7.7
	1993**	1,386,000	0.6	15,100	4.0	127,000	0.5	19,600	8.5	118,000	1.5	6.4	7.2
Trois-Rivières	1991	53,400		1,133		78,000		675		71,000		7.4	8.3
	1992	49,300	-7.7	696	-38.6	80,000	2.6	705	4.4	71,500	0.7	8.1	7.0
	1993**	50,200	1.8	780	12.1	81,500	1.9	735	4.3	73,000	2.1	7.0	5.1
Sherbrooke	1991	58,800		1,105		92,300		924		83,200		9.2	9.7
	1992	54,750	-6.9	749	-32.2	93,300	1.1	909	-1.6	81,700	-1.8	8.6	9.3
	1993**	54,060	-1.3	770	2.8	94,800	1.6	930	2.3	82,200	0.6	8.0	8.2
Quebec	1991	291,900		6,523		93,400		3,671		83,200‡		4.3	5.6
	1992	285,800	-2.1	6,300	-3.4	94,300	1.0	4,237	15.4	80,000‡	-3.8	5.3	6.3
	1993**	287,800	0.7	5,800	-7.9	96,221	2.0	3,900	-8.0	81,600‡	2.0	5.3	6.0
Chicoutimi-Jonquière	1991	58,000		955		80,290		1,410§¶		73,800		4.8	5.7
	1992	54,800	-5.5	737	-22.8	81,900	2.0	1,430§	1.4	76,470	3.6	4.8	7.1
	1993**	54,250	-1.0	670	-9.1	84,350	3.0	1,465§	2.4	78,700	2.9	5.4	6.0
Saint John	1991	54,000		441		110,033		1,111		83,330		4.0	4.9
	1992	54,000	0.0	493	11.8	114,155	3.7	1,163	4.7	84,872	1.9	5.9	6.0
	1993**	54,500	0.9	525	6.5	118,000	3.4	1,200	3.2	86,500	1.9	7.8	7.5
Halifax	1991	158,000		2,938		119,700		3,791		99,300		4.1	4.8
	1992	150,000	-5.1	2,420	-17.6	118,700	-0.8	4,634	22.2	101,957	2.7	5.5	5.7
	1993**	153,000	2.0	2,400	-0.8	121,000	1.9	4,500	-2.9	104,400	2.4	7.1	7.2
St. John's	1991	73,100		1,108		129,500		1,799		91,123		4.8	6.9
	1992	69,500	-4.9	1,024	-7.6	128,700	-0.6	1,720	-4.4	91,959	0.9	7.3	5.6
	1993**	70,000	0.7	1,100	7.4	132,500	3.0	1,800	4.7	94,500	2.8	7.9	7.5
Charlottetown	1991	23,850		347		112,700		264		96,300		6.6	5.2
	1992	24,000	0.6	336	-3.2	123,000	9.1	288	9.1	95,150	-1.2	8.5	6.4
	1993**	24,000	0.0	270	-19.6	120,000	-2.4	305	5.9	96,000	0.9	7.2	6.4

** Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

*** 1993 values are CMHC forecasts except for the April vacancy rate which is actual.*

† Average MLS price.

‡ Average price for single-detached, semi-detached, row and apartment.

§ Sales data is from TEELA.

¶ Revised due to improved data.

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1 levels. Kitchener will fully recover recession job losses as employment rises for the second year in a row. Vancouver and Edmonton have escaped the recent downturn in employment experienced in most centres; in fact, record levels of total employment are forecast for these metropolitan areas in 1993.

While many centres will see employment rise during 1993, the rate of growth will be slow at around 1 per cent for the combined total of centres. Of the 23 metropolitan areas that will see gains in 1993, 14 are forecast to expand employment by less than 1.5 per cent. Only six cities will have 2 per cent or more growth in 1993.

Slight gains in employment will occur in the eastern cities where Halifax will lead the way with 2 per cent growth. Employment in Montreal will rise by less than 1 per cent and in Toronto it will remain stable. No Prairie centre will see an increase of more than 2 per cent in employment, except Saskatoon which will enjoy a 3.3 per cent rise. Even in the strong housing markets of Vancouver and Victoria, jobs will rise by just 2 per cent.

Across Canada job creation will be constrained by the sluggish pace of economic growth. CMHC's forecast shows that the housing recovery will also be slow until job creation picks up and pulls consumer confidence along with it.

New Housing Market to Grow Slowly in 1993

Total starts for all centres combined are forecast to rise a modest 2.4 per cent in 1993, after climbing nearly six per cent in 1992. CMHC's spring forecast has been revised downward from last October largely because of the slow pace of economic activity. Nonetheless, CMHC forecasts that 14 centres will enjoy growth in both starts and new house prices during 1993. In some markets, solid gains will be made for the second year in a row.

The Most Active Markets

The hot Vancouver market is not expected to cool down in 1993. As shown in the Economic and Housing Market Indicators table, the average single new house price is expected to reach a record high of $420,000 in 1993, up nearly 14 per cent from 1992. Vancouver is also forecast in 1993 to approach its 1989 high of 21,834 starts. This will be the first year ever that Vancouver rivals Toronto as the centre with the highest starts.

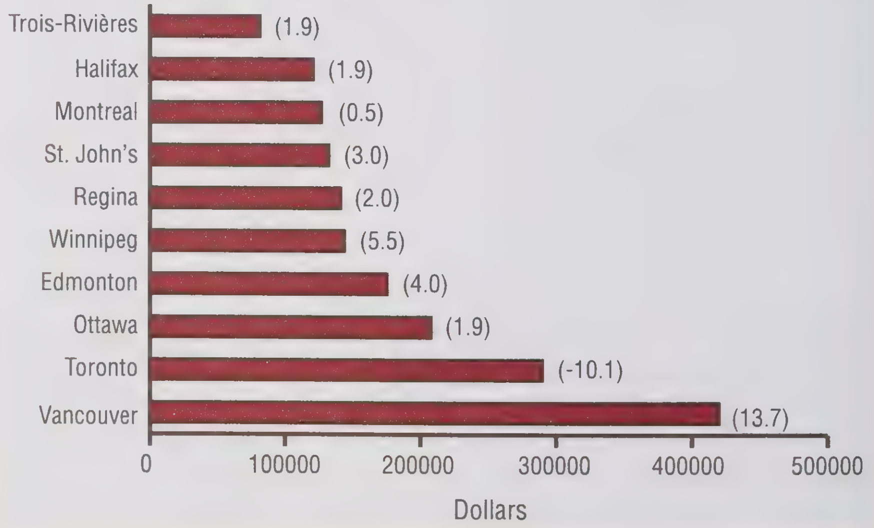
Highlights of 1993 Forecast
Percentage Change in Annual Starts: 1992-1993

Top Five	%	Bottom Five	%
London	83	Oshawa	-38
Saskatoon	42	Charlottetown	-20
Thunder Bay	34	St. Catharines	-14
Windsor	17	Calgary	-13
Vancouver	12	Chicoutimi	-9

Strong starts growth will occur in London, Saskatoon, Thunder Bay and Windsor. Starts in London and Thunder Bay will bounce back vigorously after a sharp drop in 1992. Social housing units, planned for 1992, but delayed until 1993, will boost starts in London. Saskatoon starts will be helped by employment growth in 1993, while Windsor will enjoy another good year, buoyed by new investment in the automotive sector in that region.

Starts are forecast to drop sharply in Oshawa and Charlottetown, and moderately in St. Catharines, Calgary and Chicoutimi. In the Oshawa area, recent layoffs by General Motors, and cutbacks in provincial government spending — Ontario Hydro and the Ministry of Revenue are major employers — have shaken consumer and business confidence. In addition, as affordability in Toronto has improved, there is less incentive for homebuyers to locate in Oshawa as there was during the 1980s when the Toronto commutershed expanded along with the city's house prices. According to CMHC's affordability indicator the percentage of renters able to afford a home in Toronto has quadrupled since 1990, from 7 per cent of renters aged 20-44 in the first half of 1990 to 28 per cent in the last half of 1992.

Vancouver to Set Record for New House Price
Average New House Prices for Selected Centres — Forecast 1993
Percentage Change from Previous Year in ( )



SOURCE: CMHC.

Calgary will experience a slight cooling off in starts in 1993 following a nearly 50 per cent increase in 1992. Starts in St. Catharines will also slide this year after a very good 1992 when they jumped by 23 per cent. This decline is due to a fall in multiples starts.

The drop in starts in Chicoutimi-Jonquière will also be due to a decrease in the construction of multiples. The current surplus of rental units in this centre will limit rent increases and the incentive to build multiples. A decline in multiples starts will also be the main reason why Charlottetown's total starts will drop by 20 per cent. Slow economic growth and high vacancy rates have contributed to the fall in multiples starts in Charlottetown.

The price of new homes will vary greatly across the country. Vancouver will have the highest priced new homes in Canada in 1993 at $420,000 while Trois-Rivières will have the least expensive new homes — on average $81,500. Calgary, Winnipeg, Edmonton and Thunder Bay will see above average gains in new house prices in 1993.

Of all centres, only Toronto and Oshawa will experience sharp declines in new house prices this year. In Toronto, the average price of a new home will fall by 10 per cent for the second straight year. This is mostly explained by the fact that more smaller, lower priced homes are being built. This contrasts with the late eighties when bigger was considered better. For the first time since 1989 the average price of a new home in Toronto will be less than $300,000; it is forecast to fall to $290,000 in 1993.

Resales Slip After a Strong 1992

After an 11 per cent increase in 1992, resales in Canadian centres are forecast to fall by 3 per cent in 1993. CMHC's forecast of resales for all centres combined has been revised downward since last October. This is in part due to the shrinking pool of first-time buyers who had pushed 1992 resale totals for all centres combined to levels not seen since the late eighties.

Nine centres will enjoy the second straight year of improved resale activity in 1993. Small price increases and ample supply will keep most markets affordable and give potential buyers a wide selection of homes to choose from.

Most Active Markets

The greatest increases in resale markets will occur in the east with Hull, St. Catharines, Montreal, Charlottetown and St. John's leading the way in terms of percentage growth in 1993. Other large centres will continue to have a high level of sales but the percentage change from 1992 will not be as great as those highlighted below.

In Hull, move-up buyers, Ontario migrants and low interest rates are expected to stimulate resales. The biggest sellers in Hull will be single-family detached and luxury semi-detached homes.

Highlights of 1993 Forecast
Percentage Change in Annual Resales: 1992-1993

Top Five	%	Bottom Five	%
Hull	12	Oshawa	-11
St. Catharines	9	Regina	-11
Montreal	8	Edmonton	-10
Charlottetown	6	Quebec	-8
St. John's	5	Calgary	-8

In Montreal, modest job growth will help sustain the second straight year of growth in resale activity. Federal government programs, like the 95 per cent financing plan and the RRSP Home Buyers Plan, coupled with low mortgage rates will also boost resales. A buyers' market will remain in Montreal this year and single-family home sales will rise.

In both Montreal and Hull the condominium market must grapple with oversupply, changing consumer preferences and increased competition from other types of affordable housing in the coming years. These factors will combine to sustain a buyers market for condominiums in these Quebec centres.

The sales of existing homes will increase for the second year in a row in Charlottetown, while resales will turn around in St. John's and St. Catharines in 1993 after a down year in 1992.

Resales will slide in 13 centres across Canada with Oshawa, Regina, Edmonton, Quebec and Calgary experiencing losses in the 8 to 11 per cent range. After record sales in Edmonton in 1992, the resale market will slip this year, but like Regina and Calgary this is only a slight levelling off after strong growth last year.

Québec City will also see resales fall in 1993. This is partly due to the fact that the recession was late to hit the city and did not arrive until the second half of 1991. Several important projects such as the building of the Alumax aluminum plant and frigate construction subcontracts, delayed the recession which was felt elsewhere in the province in the spring of 1990. With the completion of some of these projects in 1992, economic activity is slowing down and will reduce the pace of resales in 1993.

Despite strong sales in 1993, none of the top five percentage leaders in resales will see resale prices rise significantly in their markets. The markets are just too well supplied to foster any major price gains.

Strong demand will keep resale prices high and climbing fastest in Vancouver and Victoria. In fact, the average resale price in Vancouver and Victoria will hit all-time highs of $326,000 and $239,000 respectively. This means that the average resale price in Vancouver will be over four times the price in Trois-Rivières of $73,000 — the lowest price of all centres.

continued on page 8

Accessory Apartments Gaining Popularity

Interest in accessory apartments in Canada is increasing. For years these apartments were called illegal suites and most municipal bylaws disallowed them. They are defined as self-contained living spaces in primarily single family dwellings which usually share a yard, a parking space and an entrance. Across the country a variety of terms are used to describe them, including accessory or subsidiary apartments, secondary suites, apartments in houses, in-law suites, or simply basement apartments.

Attempts to survey the number of units have been difficult and often inconclusive because of their illegal status in many areas. Estimates of how many single-family dwellings contain an accessory apartment range from almost 6 per cent in St. John's to between 10 and 20 per cent in the urban regions of Toronto and Vancouver. The Ontario Ministry of Housing estimates there are about 100,000 illegal apartments in houses across the province.

Over the years, research has found that many municipalities across Canada have tended to turn a blind eye to the growing number of accessory apartments, preferring to enforce bylaws on a complaint basis rather than through property standards and regulation. As a result, relatively few have been closed down and many apartments exist today that do not meet fire, health and safety standards. This situation is prompting many in the industry to question the practice of avoidance and a growing consensus is emerging for governments to remedy the situation.

This article summarizes some interesting findings of a recent CMHC research study in St. John's, Newfoundland which showed that accessory apartments are popular with both homeowners and renters. Following this, recent provincial government efforts to address the issue of accessory apartments in Ontario and British Columbia are highlighted.

Accessory Apartments Improve Affordability in St. John's

A study completed in 1992 involving comprehensive surveys of both the housing stock and households showed that accessory apartments enhanced the affordability of both homeowners and renters.

The impact of accessory apartment rental income on the affordability situation of homeowners was determined by analyzing their income and calculating how much rental income contributed towards mortgage payments. As shown in Table 1, households with an income of less than $25,000 in 1991 relied on the rental income to pay in excess of three quarters of their monthly mortgage payment.

In particular, those earning between $10,000 and $15,999 relied on rental income for 73 per cent of their mortgage payment. Without this rental income, mortgage payments would require, at best, 39 per cent of income, well in excess of the industry norm of limiting payments for mortgage, principal, interest, property tax and heat at 32 per cent of income.

In addition to enhancing homeowner affordability, renters in St. John's were found to benefit from lower rents in accessory apartments. As shown in Table 2, rents in larger apartment structures were 21 per cent higher than accessory apartments for one bedroom units, 31 per cent higher for two-bedroom units and 5 per cent higher for three-bedroom units.

These findings confirm that the rental income from an accessory unit is instrumental in bridging the homeownership affordability gap for modest income households.

Table 1
Rental Income and Mortgage Payment by Income Level
Homeowners With One Accessory Apartment in City of St. John's

Income	Rent	Mortgage	Per cent
Less than $10,000	$300	*	
$ 10,000-$15,999	374	$515	73
$ 16,000-$24,999	430	560	77
$ 25,000-$34,999	410	659	43
$ 35,000-$49,999	420	738	57
$ 50,000-$74,999	415	881	47
$ 75,000 and over	450	925	49

Note: *Per cent refers to the proportion of the monthly mortgage payment which is supported by rental income.*
** No mortgage payments were made at this income level.*

Table 2
Comparison of Average Monthly Rents
Accessory Units to Larger Apartments by Bedroom Type

Number of Bedrooms	Owner-Occupied Dwelling with one Accessory Unit	Rental Structures With 3 or more Units* October 1991
One	$383	$466
Two	426	561
Three	550	580

** CMHC Rental Market Survey.*

Furthermore, renters benefit from lower, more affordable rents. Of particular importance was the fact that these improvements in affordability were accomplished in the private market without direct government subsidy.

While the St. John's study revealed that accessory apartments were viable, some problems were found to exist. For example, homeowners were concerned about parking, traffic, overcrowding and the impact the apartments could have on property values. Despite these concerns, 57 per cent of all homeowners surveyed agreed that houses with an accessory apartment are desirable in their neighborhoods and 56 per cent also expressed the opinion that this form of housing can add to overall property values.

Another important finding of the St. John's study was that the quality of accessory apartments was high; over 90 per cent of tenants perceived the overall condition of their unit to be good to excellent. This was largely attributed to the fact that most apartments are located in suburban areas, the owner lives in the adjoining unit and many were newly built homes constructed to accommodate apartments. These findings were the opposite of those in a 1990 study of accessory apartments in Toronto, Vancouver and Montreal which found apartments were of lower quality because they tended to be located in older dwellings in inner city areas and were owned by absentee landlords.

Popularity Growing in Ontario and British Columbia

Amendments to the Ontario Planning Act and the Municipal Act, expected to become law in mid 1993, will allow people to have one apartment in their house without getting special permission from their municipality. The proposed legislation followed a consultation process during which a number of issues relating to planning, regulation and health and safety were identified. The legislation proposes a number of measures to address the main issues which are:

- regulations relating to zoning and property standards that apply directly to apartments in houses;
- improving the ability of municipalities to investigate problems with zoning or property standards;
- strengthening the rules to resolve issues relating to renting apartments to related and unrelated people; and
- facilitating the creation of garden suites.

In British Columbia, a Provincial Commission on Housing Options recently advocated a strong position in favour of accessory apartments. In their report, the Commission recommended a legislative amendment to enable one additional residential apartment in either existing or new detached dwellings. A legislative amendment was also recommended to ensure that local governments do not establish policies or regulations that unreasonably impede the ability of homeowners to create secondary suites.

In recommending the legislative changes, the Commission recognized that special regulations would be needed to respond to fire and safety issues. Other conditions were also envisaged relating specifically to suites already in existing homes, new suites in existing homes and new suites in new housing. To help homeowners who wish to create or upgrade a secondary suite the Commission recommended that the Province provide a loan of up to $7,500 and that a first year budget of $7.5 million be established.

Advantages Can Outweigh Disadvantages

The findings of the St. John's study and the recent experience in Ontario and British Columbia increasingly show that with effective regulations and controls the advantages of accessory apartments can outweigh the disadvantages. A consensus appears to be emerging that accessory apartments are one of the most cost effective ways to produce affordable rental housing and at the same time improve access to homeownership, especially for modest income households. Both these goals appear obtainable without direct government subsidy. ■

The study entitled "The Role of Subsidiary/Accessory Apartments in the St. John's CMA", was commissioned by CMHC based on a need identified by the Joint Committee on Housing Affordability which is comprised of CMHC, the Newfoundland and Labrador Housing Corporation and the cities of St. John's and Mount Pearl. Copies of the report can be obtained from The Canadian Housing Information Centre, CMHC National Office, 700 Montreal Road, Ottawa, Ontario, K1A 0P7, 613-748-2367 or Fax at 613-748-4069.

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment:
Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:
Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:
The single new house price is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):
The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:
The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit Structures Vacancy Rate:
The three-unit structure vacancy rate is the overall vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

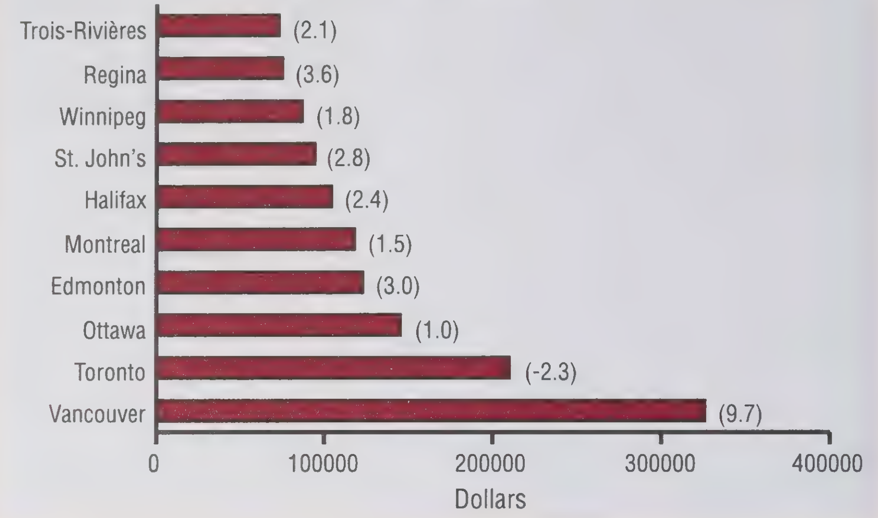
continued from page 5 Resale prices will rise in all but four metropolitan areas during 1993. Despite the drop in sales in Regina and Edmonton, average prices should increase slightly as the markets shift from first-time to move-up buyers who will prefer more expensive homes.

Toronto and Oshawa are the only centres forecast to show price declines in 1993, however the fall will be less than 3 per cent in both centres.

Resale Market Hottest in Vancouver

Forecast Average MLS Prices for Selected Centres — 1993

Percentage Change from Previous Year in ( )



SOURCES: CMHC and local real estate boards.

High Vacancy Rates to Continue in Many Centres

CMHC's forecast for October 1993 indicates that rental markets in 15 centres will have a vacancy rate of 5 per cent or more, up from 11 centres in October 1992. Overall, 22 of 27 rental markets are forecast to have rates of 3 per cent or higher.

As shown in the Summary of October 1993 Vacancy Rate Forecast, high vacancies will continue in the key metropolitan centres of Atlantic Canada, Quebec and Alberta. Other markets experiencing rates over 5 per cent will be Oshawa, Kitchener, St. Catharines and Winnipeg. The main factors keeping vacancies high are: renters buying homes with the help of low interest rates and two popular federal housing programs; modest employment growth and new rental projects coming on stream in some local markets.

Vacancy rates are forecast to be the lowest in Victoria and Vancouver. These centres are experiencing stronger economic growth, high in-migration and more active real estate markets compared to the rest of Canada.

The October forecast indicates that while renters in most centres will continue to enjoy abundant choice, the prolonged period of high vacancy rates in many markets will continue to discourage new rental construction.■

Summary of October 1993 Vacancy Rate Forecast

Level	Metropolitan Area and Vacancy Rate							
	ATLANTIC	%	QUEBEC	%	ONTARIO	%	WEST	%
5 per cent and over: 15 centres	St. John's	7.5	Sherbrooke	8.2	Oshawa	6.0	Calgary	6.0
	Saint John	7.5	Montreal	7.2	Kitchener	5.1	Edmonton	5.5
	Halifax	7.2	Chicoutimi	6.0	St. Catharines	5.1	Winnipeg	5.2
	Charlottetown	6.4	Quebec	6.0				
			Trois-Rivières	5.1				
3 to 4.9 per cent: 6 centres			Hull	3.4	Sudbury	4.0	Saskatoon	4.9
					London	3.5	Regina	3.8
					Thunder Bay	3.4		
1 to 2.9 per cent: 6 centres					Hamilton	2.6	Vancouver	1.4
					Toronto	2.4	Victoria	1.2
					Windsor	2.4		
					Ottawa	1.5		

SOURCE: CMHC.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

Enquiries regarding subscriptions should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9. Tel.: (819) 956-4802; Fax: (819) 994-1498.

Annual subscription (4 issues) $44 + GST
Catalogue No. NH12-7E
Single issue $11 + GST
Catalogue No. NH12-7-1993-2E.

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue NH12-7-1993-2F.

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ISSN 1188-4487
Printed in Canada

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Third Quarter 1993

Affordability Hits Record High in Many Centres

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Affordability improved in 1993 as both the percentage of renters who can afford to buy and the percentage of houses available to renters rose to record levels in many Canadian centres. Several markets are the most affordable they have been since the CMHC indicators were first developed in 1990. With mortgage rates hovering around 25 year lows, an abundant supply of housing, and only modest growth in home prices, buying a home has never been more affordable in many centres.

St. John's remains the most affordable market both in terms of the percentage of renters who can afford to buy and the percentage of supply available to the average first time buyer. Victoria and Vancouver are the least affordable markets.

The Percentage of Renters Who Can Buy Rises in Twelve Centres

The percentage of renters who can afford to buy an average priced NHA insured starter home has increased over the last year in 12 of 27 centres. Oshawa has seen the greatest improvement in affordability as the indicator rose to 38.4 from 34.6 per cent. Affordability was also significantly better in London, Hamilton, Toronto and Charlottetown since last July. The main reason for the rise in affordability in these CMAs is a drop in mortgage rates from 9.5 to 8.4 per cent which offset moderate increases in average starter home prices.

Biggest Changes in Affordability

The Percentage of Renters Who Can Afford to Buy — July 1993 vs July 1992

	percentage point change in affordability
UP	
Oshawa	3.8
London	3.2
Charlottetown	2.6
Toronto	2.5
Hamilton	2.3
DOWN	
Halifax	-5.2
Saint John	-2.0
St. John's	-2.0
Regina	-1.8
Thunder Bay	-1.5

SOURCE: CMHC, Statistics Canada.

The affordability indicator has fallen in 14 markets over the last year although most centres which have slipped have not lost more than two percentage points from last July's level. Halifax renters experienced the largest drop in affordability of 5.2 percentage points. This decline was due to an increase in the average price of a starter home. It should be noted that the average starter home price used in the calculation of the indicator may increase due to either a shift in the distribution to higher priced homes, or to an increase in prices of average homes. In Halifax, there were more expensive homes bought in the first half of 1993 which increased the average price and pulled down the affordability indicator.

Similarly, Regina and Saint John also saw the affordability indicator decline largely *continued on page 8*

NEW FORMAT

New this issue, ***Canadian Housing Markets*** combines CMHC's affordability indicator of demand (the per cent of renters who can afford to buy), with our supply indicator (the percentage of listings affordable to renters). Prior to this issue, the demand and supply indicators were published separately in alternate issues. The new format facilitates assessments of overall affordability in local markets.

Affordability Reaches New High in Eleven Markets

CMHC's affordability indicator shows that for the first half of 1993, 11 centres have the highest percentage of renters who can buy a starter home since the indicator was first published in 1990. Seven of these centres are in Ontario: Sudbury, London, Kitchener, St. Catharines, Hamilton, Toronto, and Oshawa. The improvement in affordability in these centres is primarily the result of falling interest rates and declining or very modest price increases.

Outside Ontario, Edmonton, Calgary, Sherbrooke and Chicoutimi also saw the percentage of renters who could afford to buy hit record levels. In Edmonton and Calgary modest income growth and lower interest rates helped boost affordability. In Sherbrooke and Chicoutimi declining interest rates and house prices played a major role in increasing renter affordability over the last three years.

St. John's and Chicoutimi are the two most affordable centres in the country, with over half of all renters able to afford an average priced starter home. At least 30 per cent of renters can afford to purchase a starter home in every centre except for Victoria and Vancouver, where only 9.4 and 19.5 per cent can respectively afford to buy. Never before have so many centres experienced such high levels of affordability. ■

Percent of Renters Who Can Afford To Buy A Home

(Ranked Highest to Lowest)

CENSUS METROPOLITAN AREAS (CMA)	TOTAL JAN.-JUNE 1993	TOTAL JAN.-JUNE 1992	FAMILY JAN.-JUNE 1993	FAMILY JAN.-JUNE 1992	NON-FAMILY JAN.-JUNE 1993	NON-FAMILY JAN.-JUNE 1992
St. John's	51.4	53.4	51.4	53.4	50.8	52.9
Chicoutimi-Jonquière	50.7	50.7	53.2	53.3	42.6	42.6
Windsor	48.6	49.7	53.3	54.4	41.4	42.5
Thunder Bay	48.0	49.5	54.7	56.0	36.0	37.7
Saskatoon	47.6	48.5	51.9	52.7	42.8	43.8
Winnipeg	44.4	45.3	50.7	51.5	37.0	37.9
Regina	43.7	45.5	47.4	49.2	39.5	41.3
Québec	42.9	43.9	51.6	52.5	30.4	31.4
Charlottetown	42.5	39.9	47.7	44.7	36.8	34.6
Saint John	40.7	42.7	42.5	44.6	35.4	37.4
Edmonton	40.1	39.3	47.0	46.2	30.9	30.1
London	39.9	36.7	47.8	44.4	29.9	27.1
Trois-Rivières	39.8	41.2	45.9	47.3	29.5	30.8
Hull	39.5	41.0	44.4	46.0	29.8	31.2
Halifax	39.4	44.6	44.9	50.4	30.6	35.6
Oshawa	38.4	34.6	42.7	38.7	27.5	24.3
St. Catharines-Niagara	37.2	36.1	41.0	39.9	29.4	28.3
Sudbury	37.1	35.1	41.8	39.6	26.8	25.2
Sherbrooke	36.7	36.4	44.0	43.7	26.1	25.8
Calgary	35.4	33.8	41.7	40.1	27.9	26.4
Kitchener	35.3	33.5	41.8	40.0	24.2	22.6
Montreal	34.8	35.4	43.1	43.8	22.9	23.5
Ottawa	32.7	33.1	40.6	41.1	23.2	23.6
Hamilton	31.2	28.9	36.8	34.6	22.2	19.8
Toronto	29.5	27.0	35.9	32.9	20.5	18.6
Vancouver	19.5	20.7	26.4	27.8	12.7	13.6
Victoria	9.4	9.2	13.1	12.9	4.9	4.8

SOURCE: CMHC, Statistics Canada

Canadian Housing Markets is a quarterly publication featuring CMHC's local market affordability indicators and housing forecasts. The analysis and forecasts contained in the publication draw on a team of market analysts in the major housing markets across Canada. Comments and requests for additional information may be referred to: Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.
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Annual subscription (4 issues) $44 + GST — Catalogue No. NH12-7E; Single issue $11 + GST — Catalogue No. NH12-7-1993-3E
Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*
Numéro de catalogue NH12-7-1993-3F
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Abundant Supply of Affordable Homes

CMHC's analysis of the supply of affordable housing, shows that in June 1993, 20 centres had at least one half of active listings affordable to the average renter. Only in St. Catharines (46.6 per cent), Hamilton (44.0 per cent), Vancouver (27.2 per cent) and Victoria (8.9 per cent) were affordable listings less than 50 per cent.

Over the last year, renters in 12 centres were able to increase their choice in the resale market.

St. John's, Chicoutimi, Saskatoon, and Regina were the four centres with the highest percentage of affordable supply in 1993.

In 1993, seven centres had the highest percentage of affordable supply since CMHC first published the indicator in 1991. St. John's experienced the greatest proportion of affordable supply of any market in the history of the indicator, with 92.1 per cent of active listings affordable to renters. Other centres experiencing highs in affordable supply in 1993 include: Vancouver, Calgary, Sudbury, London, St. Catharines and Chicoutimi.

Victoria and Vancouver had the lowest percentage of supply available and the least choice for first-time buyers in Canada. Demand pressures in these markets have driven house prices up to record levels while renter incomes have not kept pace. This has limited the supply affordable to renters. One positive trend has been the continuous increase in the supply of affordable housing in Vancouver, from 15.2 per cent in 1991 to 27.2 per cent in 1993.

Over the last year, renters in 12 centres were able to increase their choice in the resale market. Affordable supply improved in these markets due to interest rate declines, modest renter income growth and an increase in the number of lower priced listings.

Biggest Changes in Affordability

The Percentage of Listings Affordable June 1993 vs April 1992

UP	percentage point change in affordability
Sudbury	20.9
St. Catharines	12.6
London	11.2
Vancouver	8.0
St. John's	7.7
DOWN	
Trois-Rivières	-11.0
Hamilton	-8.0
Kitchener	-7.5
Charlottetown	-3.5
Hull	-3.0

SOURCE: CMHC. Calculations based on local Real Estate Board data.

The markets with the largest gains in the percentage of affordable listings include: Sudbury, St. Catharines, London, Vancouver, and St. John's. In these centres, the maximum affordable house price rose significantly.

This maximum affordable house price is based on average renter income, mortgage carrying and heating costs, and property taxes. Sudbury showed the greatest increase in affordable supply, up 20.9 percentage points, to 65.3 per cent this June from 44.3 in April of 1992.

This improvement is due to an increase in the number of lower priced listings, falling interest rates and modest income growth.

Twelve centres saw the percentage of affordable supply fall since last year. Trois-Rivières registered the sharpest drop in affordable supply of 11 percentage points but most other losses were under five percentage points. In Trois-Rivières, the number of lower priced listings has decreased.

In addition to Trois-Rivières, Hamilton, Kitchener, Charlottetown and Hull also saw the supply indicator fall by over three percentage points since last April. In Hamilton and Kitchener, the decline in the percentage of listings affordable to renters is primarily due to fewer lower priced listings on the market.

In Charlottetown, the percentage of affordable listings fell as incomes did not increase enough to keep pace with rising average resale prices. In Hull, the small decrease in the percentage of affordable supply is partly due to increased heating costs. ■

Supply Available to Average Renter Households

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME FOR 1993 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Victoria	Family	46,055	140,137	13.4	Townhouse; Duplex
	Non Family	36,946	106,010	4.8	Apartment Condo
	Total	42,439	126,589	8.9	Manufactured Home; Apt. Condo
Vancouver	Family	60,878	200,196	30.8	New Townhouse; Older Bungalow
	Non Family	50,709	162,098	21.7	Newer **Condo Apt.
	Total	56,038	182,062	27.2	Older† Thouse; New Apt. Condo
Edmonton	Family	48,340	151,341	68.1	New Small Split; New Small 2 Storey
	Non Family	40,577	122,256	49.1	Older 1 1/2 Storey; New Thouse Condo
	Total	45,167	139,452	61.1	New Smaller Split; Older Bungalow
Calgary	Family	50,843	156,899	68.0	Newer 2 Storey
	Non Family	43,648	129,940	48.0	Older Bungalow; Row; Apt. Condo
	Total	47,654	144,950	58.0	Bungalow; 2 Storey; Split-Level
Saskatoon	Family	44,948	142,969	88.1	2 Storey; Split-Level
	Non Family	39,193	121,407	80.6	Bungalow; Split-Level
	Total	42,239	132,820	85.3	Bungalow; Split-Level
Regina	Family	42,804	130,153	84.2	Bungalow
	Non Family	37,277	109,445	78.1	Bungalow
	Total	40,159	120,242	81.2	Bungalow
Winnipeg	Family	48,039	145,319	N/A	N/A
	Non Family	40,759	118,047	N/A	N/A
	Total	44,803	133,195	N/A	N/A
Thunder Bay	Family	55,840	179,609	77.4	Bungalow; 1 1/2 Storey; 2 Storey
	Non Family	47,781	149,413	62.3	Bungalow; 1 1/2 Storey; 2 Storey
	Total	52,999	168,963	71.0	Bungalow; 1 1/2 Storey; 2 Storey
Sudbury	Family	47,723	151,242	69.0	Bungalow; 1 1/2 Storey
	Non Family	42,580	131,971	54.6	Bungalow
	Total	46,193	145,510	65.2	Bungalow; 1 1/2 Storey
Windsor	Family	58,932	191,100	80.4	1 1/2 Storey; Bungalow; Split-Level
	Non Family	48,431	151,754	62.0	1 1/2 Storey; Bungalow; 2 Storey
	Total	54,818	175,687	74.7	1 1/2 Storey; Bungalow; Split-Level
London	Family	55,675	184,575	71.3	Bungalow; Condo Row; Split-Level
	Non Family	45,137	145,090	51.3	Bungalow; Condo Row; Condo Apt.
	Total	51,351	168,372	64.0	Bungalow; Condo Row; Condo Apt.
Kitchener	Family	50,965	158,787	60.0	Bungalow
	Non Family	43,157	129,533	36.8	Condo Apt./Bungalow
	Total	48,190	148,390	53.5	Bungalow
St. Catharines-Niagara	Family	49,539	156,354	49.5	Bungalow
	Non Family	42,537	130,119	39.3	Bungalow
	Total	47,299	147,961	46.6	Bungalow
Hamilton	Family	51,925	160,767	58.0	2 Storey
	Non Family	42,203	124,344	27.0	1 1/2 Storey; Row
	Total	48,203	146,822	44.0	1 Storey

Supply Available to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	RENTER HOUSEHOLD TYPE	AVERAGE INCOME 1993 $	MAXIMUM AFFORDABLE HOUSE* $	SUPPLY AVAILABLE %	MOST PREVELANT HOUSE TYPES
Toronto	Family	64,929	204,750	N/A	N/A
	Non Family	56,393	172,771	N/A	N/A
	Total	61,679	192,574	N/A	N/A
Oshawa	Family	54,248	169,038	N/A	N/A
	Non Family	46,751	140,950	N/A	N/A
	Total	52,009	160,651	N/A	N/A
Ottawa	Family	56,504	171,016	59.9	Bungalow; 2 Storey; Condo Row
	Non Family	46,250	132,597	35.7	Condo Row; Condo Apt.; Bungalow
	Total	52,041	154,294	50.3	Condo Row; Condo Apt.; Bungalow
Hull	Family	45,835	134,843	71.0	Bungalow
	Non Family	39,248	110,163	58.0	Bungalow
	Total	43,805	127,239	69.0	Bungalow
Montreal	Family	50,753	147,901	67.3	All types
	Non Family	40,977	111,274	40.4	Bungalow; Split-Level; Condo
	Total	47,172	134,485	57.8	All Types
Trois-Rivières	Family	41,466	123,770	68.0	Bungalow; Split-Level
	Non Family	35,251	100,483	56.0	Bungalow
	Total	39,432	116,148	64.0	Bungalow
Sherbrooke	Family	41,622	121,990	72.8	Bungalow; 2 Storey
	Non Family	36,268	101,931	59.0	Bungalow; Condominiums
	Total	39,750	114,975	65.7	Bungalow; Condominiums
Québec	Family	46,750	134,866	79.1	All types except Executive Style
	Non Family	39,453	107,527	60.1	All types except Executive Style
	Total	44,172	125,208	74.5	All types except Executive Style
Chicoutimi-Jonquière	Family	44,589	133,165	87.8	Standard Bungalow
	Non Family	39,394	113,698	74.4	Standard Bungalow
	Total	43,406	128,732	85.6	Standard Bungalow
Saint John	Family	41,753	130,223	79.6	2 Storey
	Non Family	37,182	113,097	69.7	Split Entry
	Total	40,292	124,750	75.5	Large Split Entry
Halifax	Family	44,874	140,928	71.1	Single-Detached
	Non Family	40,582	124,844	58.8	Single-Detached
	Total	43,285	134,971	67.4	Single-Detached
St. John's	Family	53,666	174,393	92.1	Bungalow; 2 Storey
	Non Family	53,171	172,535	91.9	Bungalow; 2 Storey
	Total	53,518	173,836	92.1	Bungalow; 2 Storey
Charlottetown	Family	40,663	125,523	64.8	All types
	Non Family	37,494	113,649	55.7	Not 2 Storey
	Total	39,684	121,854	61.7	All types

** Calculated with a mortgage rate of 8.4 per cent*
***Newer is five years or less*
† Older is ten years or more
Thouse refers to townhouse and appears throughtout this table where space dictates.
N/A is data not available from local Real Estate Boards.
SOURCE: CMHC, local Real Estate Boards and Statistics Canada.

Single-Detached Homes Accessible to Five Per Cent Down Buyers

First-time buyers using CMHC's First Home Loan Insurance (FHLI) program are buying a surprisingly high number of single-detached homes in Canada's major centres in 1993.

As shown in the chart, over 70 per cent of existing homes bought under the program were single-detached units.

Even in places where affordability is low, such as Vancouver, a surprisingly high 40 per cent of existing homes bought were single-detached.

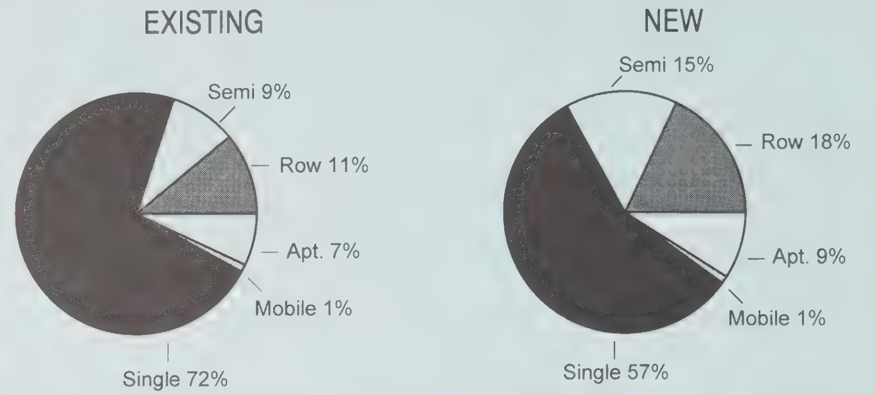
Homebuying activity under the federal plan is up in the first six months of this year from the same period last year even when January 1993 sales are excluded to compensate for the fact that the program did not come into effect until February 1992.

The majority of homes insured under the program have been existing houses. However, in 1993, builders have been producing more modest homes which has increased the share of new homes insured under the plan to 15 per cent, up from 12 per cent last year. Of these new units, over half were single-detached.

New row houses were also popular (18 per cent), as were semi-detached (15 per cent) and to a lesser extent condominium apartments (9 per cent). Through the FHLI program, over 110,000 first-time buyers have been able to realize their dream of homeownership. ■

Singles Are Accessible With Five Per Cent Down Program

Distribution of House Types Bought in Major Canadian Centres



Based on NHA mortgage approvals in CMAs under the FHLI program, January-June 1993.
SOURCE: CMHC.

CMHC's First Home Loan Insurance

Many Canadians are taking advantage of CMHC's First Home Loan Insurance program that allows them to buy a house with only a 5 per cent down payment. The lower down payment enables purchasers to buy sooner and use their additional savings for other necessities such as appliances and furniture.

To qualify for the program you must be buying a house for the first time. The home can be a new or resale home in any market across Canada. The purchase can be financed with a first mortgage only or a combination of a first and second mortgage.

Important First Home Loan Insurance features:

- **Loan Amounts** — Maximum mortgage loan is 95 per cent of the lending value of the home.
- **Mortgage Term** — Minimum mortgage term is 5 years.
- **Maximum House Prices** — In greater Toronto and Vancouver areas the maximum is $250,000. In 16 other metropolitan areas with high average house prices and in northern areas the maximum is $175,000. Everywhere else the maximum house price under the program is $125,000.
- **Eligible Buyers** — An eligible buyer is anyone who buys or builds a home in Canada intending to occupy it as his/her principal residence and has not owned a principal residence at any time during the last 5 years.

If there are two home buyers only one has to be a first-time buyer.

- **Income and Payment Requirements** — Buyers may qualify for First Home Loan Insurance if they can meet payments for principal, interest, property taxes, heating and 50 per cent of condominium fees without consuming more than 35 per cent of their gross family incomes.
- **How to Get First Home Loan Insurance** — You can deal with a wide variety of lenders authorized by CMHC to provide CMHC-insured mortgage loans. Most Canadian chartered banks, trust companies, credit unions, life insurance companies and caisses populaires offer CMHC-insured mortgage loans. For further information about whether or not you qualify for First Home Loan Insurance, speak to your lender.

COSTS AND INCOMES FOR AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREAS (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL* TAXES $		ANNUAL HEATING $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JAN-JUN 1993	JAN-JUN 1992	JAN-JUN 1993	JAN-JUN 1992	JAN-JUN 1993	JAN-JUN 1992	JAN-JUN 1993	JAN-JUN 1992†	JAN-JUN 1993	JAN-JUN 1992	JAN-JUN 1993	JAN-JUN 1992
Victoria	174,990	150,740	1,274	1,199	1,868	1,775	900	900	1,504	1,422	56,408	53,328
Vancouver	182,370	158,660	1,325	1,262	1,952	1,894	430	420	1,524	1,455	57,142	54,562
Edmonton	103,890	96,630	756	769	2,023	1,923	520	510	968	971	36,297	36,430
Calgary	118,640	110,640	863	880	2,349	2,211	520	477	1,102	1,113	41,343	41,729
Saskatoon	73,800	65,740	537	523	1,542	1,515	630	620	718	701	26,929	26,282
Regina	73,830	63,060	537	502	1,971	1,918	610	600	752	712	28,216	26,682
Winnipeg	78,120	68,990	569	549	2,181	2,170	780	770	815	794	30,572	29,770
Thunder Bay	109,860	94,950	800	755	1,638	1,558	890	890	1,010	959	37,884	35,977
Sudbury	106,640	98,730	776	785	1,534	1,513	820	860	972	983	36,458	36,869
Windsor	101,010	89,260	735	710	1,956	1,875	580	600	946	916	35,494	34,363
London	120,220	114,900	875	914	1,422	1,312	630	650	1,046	1,078	39,220	40,408
Kitchener	127,860	121,530	931	967	2,107	1,958	640	650	1,159	1,184	43,478	44,404
St. Catharines-Niagara	108,770	100,880	792	803	1,928	1,848	570	550	1,000	1,002	37,493	37,589
Hamilton	133,230	127,090	970	1,011	2,265	2,163	620	640	1,210	1,245	45,374	46,673
Toronto	168,350	163,740	1,225	1,303	2,670	2,457	620	590	1,499	1,557	56,225	58,370
Oshawa	136,270	130,980	992	1,042	2,322	2,218	600	580	1,235	1,275	46,318	47,818
Ottawa	137,160	124,030	998	987	2,795	2,680	680	640	1,288	1,263	48,292	47,377
Hull	94,890	83,460	691	664	1,900	1,882	1,250	1,130	953	915	35,742	34,312
Montreal	102,890	92,970	749	740	2,389	2,222	1,220	1,100	1,049	1,016	39,355	38,117
Trois-Rivières	71,780	61,690	522	491	1,398	1,334	1,300	1,180	747	700	28,022	26,258
Sherbrooke	78,010	70,780	568	563	1,570	1,481	1,330	1,210	809	787	30,350	29,523
Québec	82,500	73,220	600	582	2,111	1,978	1,330	1,210	887	848	33,267	31,805
Chicoutimi-Jonquière	69,200	61,430	504	489	1,515	1,511	1,380	1,250	745	719	27,932	26,955
Saint John	78,120	66,610	569	530	1,089	1,063	1,150	1,060	755	707	28,315	26,504
Halifax	104,220	86,880	758	691	1,323	1,273	1,000	960	952	877	35,702	32,897
St. John's	91,820	80,350	668	639	1,088	890	1,190	1,160	858	810	32,178	30,377
Charlottetown	75,370	72,150	549	574	1,271	1,219	1,020	1,020	739	761	27,729	28,521

** Please note that the sample used by StatisticsCanada to calculate property taxes has changed since July 1992.*
† Revised due to improved data.
Sources: CMHC, Statistics Canada and Energy Mines and Resources.

continued from page 1 due to the purchase of more expensive homes.

In St. John's, modest income growth and falling interest rates could not offset the effect of an increase in the average starter home price. However, like Halifax, the average starter home price rose due to the purchase of more expensive homes rather than an increase in the price of average homes. ■

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Local Housing Market Information

CMHC's national network of local market analysts produce a range of information products that provide analysis of the new, resale and rental markets for each of the major metropolitan areas. Whether you're in financial services, real estate sales, the building industry, housing appraisals, urban planning, relocation consulting or government, your local CMHC branch is the source for the latest information on housing market activity.

The following reports are available:

Housing Market Forecasts

Rental Market Reports

Local Housing Market Reports

For more information on these publications, contact the market analyst at your local CMHC office.

DEFINITIONS:

SUPPLY INDICATOR (pages 4 & 5)

Renter Household Types:

Renter households aged 20-44 who have the potential to become homeowners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons, or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicator.

Maximum Affordable House:

Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio (GDS) to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 8.4 per cent is used and a 10 per cent down payment is assumed.

Supply Available:

The percentage of MLS* active listings at and below the maximum affordable house price.

Most Prevalent House Types:

The house types most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

DEMAND AFFORDABILITY INDICATOR (page 7)

Per Cent of Renters Who Can Afford:

This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:

The average starter house price is defined as the average price for an NHA insured, existing home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period and excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:

The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:

Average property taxes for a dwelling owned and occupied by its owner. Data are from Statistics Canada.

Heating Costs:

Average heating costs representative of a starter home. Data are from Energy, Mines, and Resources and include the Goods and Services Tax.

Total Monthly Carrying Costs:

Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:

The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio (GDS).

Mortgage:

A three-year term closed mortgage was assumed with a 25-year amortization period. An average interest rate of 9.5 per cent was used for the first half of 1992 and a rate of 8.4 per cent was used for the first half of 1993.

NOTE: The FHLI program has different downpayment, GDS and mortgage term features from those used in calculating CMHC's affordability indicators.

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
Fourth Quarter 1993

Housing Recovery Back on Track in 1994

FORECAST HIGHLIGHTS

- ***Starts and resales up three per cent in 1994.***
- ***1994 the turning point for Toronto.***
- ***Vancouver price growth moderating.***
- ***Employment growth to pick up in 1994.***
- ***Mortgage rates to remain low next year.***
- ***Affordability strong in most markets.***

The housing recovery will get back on track in 1994, as starts, sales and prices rebound in most centres after falling in 1993. Starts and resales for all metropolitan areas combined, will each grow by about three per cent in 1994. This increase follows a 7.6 per cent decline in starts in 1993 and a 6.2 per cent slide in resales.

Next year will see both the new and existing market pick up in activity in 19 of 27 centres. This is an improvement over 1993 when only three centres are expected to see both starts and resales climb. Earlier CMHC forecasts anticipated recovery in 1993, but slower than expected economic growth and weak consumer confidence, have delayed the housing recovery until 1994.

House prices will also rise in most major areas in 1994. In 23 of 27 centres, the average price of a new home will go up, while in 25 areas, the average resale price will increase.

Employment growth will pick up in 1994, to a pace of 1.3 per cent from a projected .4 per cent in 1993. However, the modest pace of overall economic recovery will keep inflation and interest rates low next year. Mortgage rates will be kept around their current 25 year low throughout 1994, and this, coupled with only small price gains, will boost affordability in most places.

Affordability will be a key factor lifting housing activity in just about all markets except Victoria and Vancouver, where high house prices are limiting access for first time buyers. With average single new house prices at $450,000 in Vancouver and resales at $349,000, condominiums are leading the market because they are more affordable. Similar conditions hold true in Victoria, where average new house prices are forecast to rise to $305,000 and existing house prices to hit $262,000 in 1994.

New Housing Market to Rebound in 1994

The new housing market is poised for recovery in 1994 after a disappointing performance in 1993. Total housing starts will rise 2.8 per cent next year following a forecast decline of 7.6 per cent in 1993. Eighteen of the 27 major centres will see both starts and new house prices climb in 1994. Starts will rise in all but six areas while the average new house price will climb in all but four.

1994: The Turning Point for Toronto

1994 will mark the long awaited upturn in the Toronto new housing market. Starts will begin to recover next year after hitting a 30-year low in 1993. In addition, the slide in new house prices is forecast to stop next year as the average price will rise for the first time since 1990.

In Vancouver, starts will taper off slightly next year after reaching a near record in 1993. Nonetheless, Vancouver's starts will be higher than Toronto's for the second year in a row in 1994. Before 1993, Toronto had always led Canadian centres in starts.

In Montreal, activity in the move-up market will push up starts of single family dwellings by eight per cent. High vacancy rates, and slow employment growth will reduce rental housing construction by 22 per cent. Much of the demand from first time buyers has already been met, and as a result, condominium construction will fall by 6 per cent in Montreal next year. Overall, total starts will nudge up to 13,800 in 1994 from a projected 13,700 in 1993.

continued on page 4

Highlights of 1994 Forecast
Percentage Change in Annual Starts 1993–1994

Top Five	%	Bottom Five	%
Thunder Bay	36	Edmonton	–12
Trois-Rivières	22	St. Catharines	–11
Winnipeg	21	Calgary	–8
Toronto	19	Québec	–8
Oshawa	18	Saskatoon	–8

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS		TOTAL EMPLOYMENT	% chng	TOTAL HOUSING STARTS	yr/yr % chng	SINGLE NEW HOUSE PRICE	yr/yr % chng	NUMBER OF MLS* SALES (RES.)	yr/yr % chng	SINGLE MLS AVERAGE PRICE	yr/yr % chng	3 UNIT + STRUCTURES VACANCY RATES	
												APRIL	OCTOBER
Victoria	1992	125,700		2,421		240,150		8,142		222,400		2.6	1.5
	1993**	126,700	0.8	2,515	3.9	282,000	17.4	7,550	−7.3	247,000	11.1	2.1	1.8
	1994**	129,100	1.9	2,570	2.2	305,000	8.2	7,900	4.6	262,000	6.1	2.0	1.5
Vancouver	1992	821,000		18,684		369,495		37,073		297,150		2.8	1.6
	1993**	825,000	0.5	21,000	12.4	420,000	16.0	33,500	−10.0	349,000	17.0	2.0	1.1
	1994**	837,000	1.5	19,500	−7.1	450,000	5.0	32,750	−2.0	349,000	0.0	1.8	1.5
Edmonton	1992	370,000		6,764		168,672		12,772		119,326		3.8	4.0
	1993**	365,000	−1.4	6,800	0.5	172,000	2.0	11,700	−8.4	122,900	3.0	5.5	6.5
	1994**	365,000	0.0	6,000	−11.8	175,500	2.0	11,200	−4.3	125,400	2.0	7.3	7.2
Calgary	1992	361,000		7,034		174,674		17,857		128,571		5.2	5.5
	1993**	359,000	−0.6	6,200	−11.9	177,000	1.3	17,000	−4.8	133,000	3.4	7.0	5.9
	1994**	362,000	0.8	5,700	−8.1	180,000	1.7	16,500	−2.9	135,000	1.5	6.0	5.3
Saskatoon	1992	84,000		464		130,800		2,828		74,946†		7.5	4.3
	1993**	86,800	3.3	574	23.7	135,000	3.2	2,700	−4.5	80,000†	6.7	6.7	2.7
	1994**	85,400	−1.6	530	−7.7	139,000	3.0	2,800	3.7	80,000†	0.0	3.0	2.5
Regina	1992	87,800		666		138,294		2,910		72,373†		5.1	3.6
	1993**	88,400	0.7	520	−21.9	143,000	3.4	2,700	−7.2	75,000†	3.6	4.6	3.6
	1994**	88,900	0.6	600	15.4	144,000	0.7	2,600	−3.7	76,500†	2.0	4.6	4.2
Winnipeg	1992	297,000		1,620		136,495		10,386		85,300		5.9	6.1
	1993**	298,500	0.5	1,650	1.9	140,600	3.0	9,600	−7.6	86,150	1.0	5.7	5.9
	1994**	301,000	0.8	2,000	21.2	143,400	2.0	10,000	4.2	88,000	2.1	5.5	5.0
Thunder Bay	1992	58,200		563		163,558		1,594		108,648		2.1	2.5
	1993**	57,000	−2.1	541	−3.9	175,007	7.0	1,530	−4.0	115,384	6.2	3.2	2.7
	1994**	57,900	1.6	737	36.2	186,382	6.5	1,568	2.5	119,423	3.5	2.9	3.0
Sudbury	1992	68,100¶		1,289		161,100		2,151		116,157		2.1	2.5
	1993**	69,800¶	2.5	812	−37.0	161,000	−0.1	1,985	−7.7	116,900	0.6	5.1	3.8
	1994**	71,600	2.6	953	17.4	165,200	2.6	2,120	6.8	121,500	3.9	3.5	3.0
Windsor	1992	115,000		1,376		188,056		4,874		106,230		3.6	3.3
	1993**	115,000	0.0	1,545	12.3	190,000	1.0	4,700	−3.6	109,000	2.6	3.0	2.7
	1994**	119,000	3.5	1,760	13.9	194,000	2.1	5,000	6.4	113,000	3.7	2.4	1.5
London	1992	164,000		1,553		224,447		6,285		135,962		4.1	3.5
	1993**	177,500	8.2	2,595	67.1	225,000	0.2	5,800	−7.7	135,500	−0.3	3.9	3.8
	1994**	182,000	2.5	2,760	6.4	230,000	2.2	6,400	10.3	139,500	3.0	3.6	3.4
Kitchener	1992	186,100		2,240		204,860		3,949		145,015		4.2	4.4
	1993**	194,500	4.5	1,860	−17.0	178,000	−13.1	3,850	−2.5	138,000	−4.8	5.3	4.3
	1994**	199,000	2.3	1,990	7.0	181,000	1.7	4,000	3.9	144,000	4.3	4.2	4.1
St. Catharines-Niagara	1992	142,200		1,669		196,599		2,431		128,990		2.9	3.4
	1993**	139,300	−2.0	1,310	−21.5	186,600	−5.1	2,325	−4.4	125,500	−2.7	5.3	4.9
	1994**	138,100	−0.9	1,170	−10.7	184,000	−1.4	2,400	3.2	127,450	1.6	4.7	4.2
Hamilton	1992	289,700		2,632		223,734		8,608		151,037		2.4	2.3
	1993**	289,700	0.0	2,725	3.5	217,000	−3.0	7,800	−9.4	145,000	−4.0	2.8	2.7
	1994**	295,000	1.8	2,900	6.4	221,000	1.8	8,700	11.5	151,000	4.1	2.4	2.3
Toronto	1992	1,775,000		20,770		322,678		41,703		214,971		1.9	2.2
	1993**	1,775,000	0.0	16,200	−22.0	300,000	−7.0	39,500	−5.3	210,000	−2.3	2.1	2.0
	1994**	1,800,000	1.4	19,200	18.5	315,000	5.0	43,000	8.9	212,000	1.0	2.2	2.3

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS		TOTAL EMPLOYMENT	% chng	TOTAL HOUSING STARTS	yr/yr % chng	SINGLE NEW HOUSE PRICE	yr/yr % chng	NUMBER OF MLS* SALES (RES.)	yr/yr % chng	SINGLE MLS AVERAGE PRICE	yr/yr % chng	3 UNIT + STRUCTURES VACANCY RATES APRIL	OCTOBER
Oshawa	1992	104,000		2,188		195,990		5,507		145,011		4.4	6.1
	1993**	N/A	N/A	1,225	−44.0	195,000	−0.5	4,500	−18.3	143,000	−1.4	5.8	4.6
	1994**	N/A	N/A	1,450	18.4	200,000	2.6	4,800	6.7	145,000	1.4	3.8	3.0
Ottawa	1992	339,200		5,830		204,100		9,089		143,868		1.4	1.3
	1993**	344,300	1.5	4,300	−26.2	208,000	1.9	8,250	−9.2	145,600	1.2	1.8	1.8
	1994**	351,300	2.0	4,850	12.8	204,000	−1.9	8,600	4.2	147,000	1.0	2.3	1.9
Hull	1992	136,000		2,368		122,918		1,543		99,720		4.2	3.7
	1993**	138,000	1.5	2,200	−7.1	129,927	5.7	1,775	15.0	104,263	4.6	3.6	4.5
	1994**	140,000	1.4	2,300	4.5	136,000	4.7	1,800	1.4	107,000	2.6	4.9	4.5
Montreal	1992	1,378,000		14,520		131,518		18,063		116,300		6.4	7.7
	1993**	1,378,000	0.0	13,700	−5.6	131,000	−0.4	17,800	−1.5	118,000	1.5	6.4	7.7
	1994**	1,388,000	0.7	13,800	0.7	131,000	0.0	18,600	4.5	119,000	0.8	6.3	7.2
Trois-Rivières	1992	49,300		696		80,000		705		71,500		8.1	7.0
	1993**	51,500	4.5	780	12.1	81,500	1.9	735	4.3	72,000	0.7	7.0	6.5
	1994**	53,500	3.9	950	21.8	84,000	3.1	750	2.0	74,000	2.8	6.0	5.3
Sherbrooke	1992	54,750		749		93,300		909		81,700		8.6	9.3
	1993**	56,000	2.3	770	2.8	94,800	1.6	930	2.3	83,500	2.2	8.0	7.6
	1994**	57,350	2.4	820	6.5	97,300	2.6	1,005	8.1	84,500	1.2	6.2	5.9
Quebec	1992	285,800		6,300		94,300		4,237		80,000‡		5.3	6.3
	1993**	285,200	−0.2	5,000	−20.6	95,700	1.5	3,900	−8.0	81,200‡	1.5	5.3	6.0
	1994**	289,000	1.3	4,600	−8.0	97,600	2.0	4,000	2.6	82,800‡	2.0	5.1	4.6
Chicoutimi-Jonquière	1992	54,800		737		81,900		1,430§		76,470		4.8	7.1
	1993**	54,000	−1.5	640	−13.2	84,000	2.6	1,480§	3.5	77,600	1.5	5.4	6.3
	1994**	55,500	2.8	700	9.4	85,700	2.0	1,520§	2.7	79,200	2.1	5.5	5.9
Saint John	1992	54,000		493		114,155		1,163		84,872		5.9	6.0
	1993**	55,000	1.9	440	−10.8	114,500	0.3	1,125	−3.3	86,500	1.9	7.8	6.3
	1994**	55,500	0.9	500	13.6	115,500	0.9	1,200	6.7	88,000	1.7	7.5	6.5
Halifax	1992	150,000		2,420		118,700		4,655		102,429		5.2	5.7
	1993**	151,000	0.7	2,000	−17.4	120,700	1.7	4,900	5.3	104,400	1.9	7.1	6.3
	1994**	154,000	2.0	2,350	17.5	123,700	2.5	4,800	−2.0	106,600	2.1	6.1	6.0
St. John's	1992	69,500		1,024		128,700		1,720		91,959		7.3	5.6
	1993**	69,500	0.0	1,075	1.1	130,000	1.0	1,725	0.3	92,500	0.6	7.9	8.8
	1994**	70,000	0.7	1,100	2.3	132,500	1.9	1,775	2.9	93,500	1.1	9.0	7.5
Charlottetown	1992	24,000		336		123,000		288		95,150		8.5	6.4
	1993**	23,750	−1.0	280	−16.7	125,000	1.6	260	−9.7	96,000	0.9	7.2	4.8
	1994**	24,000	1.1	290	3.6	125,000	0.0	300	15.4	97,000	1.0	5.3	4.2
ALL	1992	7,540,150		107,406		—	—	212,872		—	—	—	—
METRO	1993**	7,573,450	0.4	99,257	−7.6	—	—	199,620	−6.2	—	—	—	—
AREAS	1994**	7,669,150	1.3	102,080	2.8	—	—	206,088	3.2	—	—	—	—

** Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*
*** 1993 –1994 values are CMHC forecasts except for the April and October vacancy rates which is actual.*

†Average MLS price.
¶Revised figure.
‡Average price for single-detached, semi-detached, row and apartment.
§Sales data is from TEELA

NOTE: CMA employment totals exclude Oshawa.

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1

The Most Active New Markets

Starts growth will be strongest next year in Thunder Bay, Trois-Rivières, Winnipeg, Toronto and Oshawa.

In Thunder Bay, multiple construction, both government assisted and private, will be responsible for the increase in total starts in 1994. Singles starts will post only modest gains next year.

Steady employment growth for the second straight year will stimulate the new housing market in Trois-Rivières. Both starts and the average new house price will also climb for the second year in a row in 1994.

Activity in the move-up market will help fuel growth in new construction in Winnipeg. Rising demand for a limited number of larger existing homes will push up prices in the higher end of the resale market. New construction will be able to offer attractive alternatives to buyers and will therefore expand in 1994.

In Oshawa, starts will begin to recover next year after a projected drop in 1993. The average new house price will also rise and get back up to $200,000 next year.

Only six centres will see starts decline in 1994. The sharpest declines will occur in Edmonton, St. Catharines, Calgary, Quebec and Saskatoon.

In Edmonton, the drop in starts only represents a cooling off from the ten-year high projected for 1993. This high was fueled by pent-up demand and low mortgage rates. With no significant gain in employment, and lower in-migration, this year's high level of starts cannot be sustained in 1994. Starts in 1994 will, however, exceed the 1991 level.

The new housing market in St. Catharines will decline in 1994 due to the erosion of consumer confidence in that area. Employment will fall for the second year in a row, mainly due to the closing of the Ford Motor Company glass plant and the downsizing of General Motors to 4800 employees in that area. The decline in government assisted multiple projects will also contribute to the slide in starts. On the bright side, starts of single detached homes will rise slightly in 1994.

Modest employment growth and very low in-migration, will reduce household formation and keep starts declining for the second year in a row in Calgary.

In Québec City, starts will edge down in 1994, after a projected decline in 1993. The new housing market will adjust to the high number of vacancies in both single and multiple family dwellings and further residential investment will be reduced.

In Saskatoon, a lull in multiple unit construction will be the main reason for the decrease in starts in 1994.

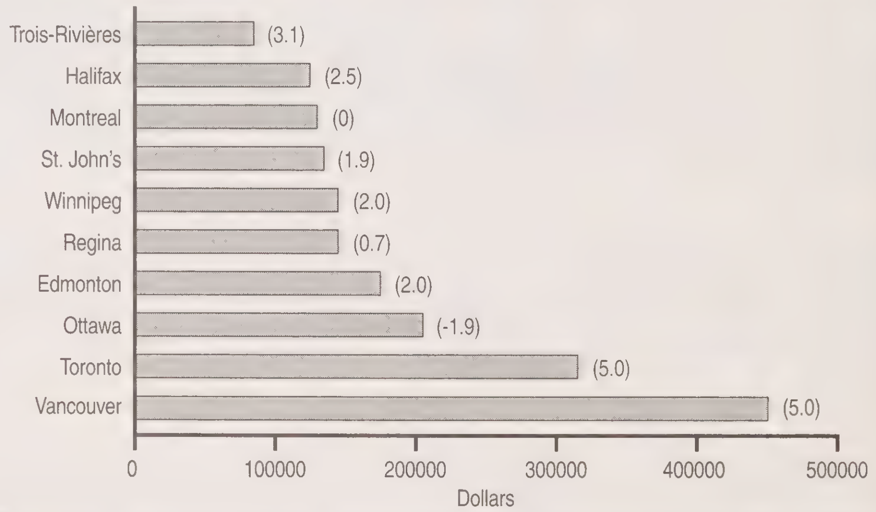
New house prices will keep smashing records in Vancouver as the average hits $450,000 in 1994. This price will be over five times the average price in Trois-Rivières and over 40 per cent higher than Toronto's.

Price growth will, however, slow to five per cent in Vancouver after double digit gains in each of the last two years. Trois-Rivières will hold its spot in 1994 as the centre with the least expensive average new house price at $84,000, but this is an increase of 3.1 per cent from 1993.

In 18 centres, the average price of a new single detached dwelling will rise for the second year in a row in 1994. Victoria, Vancouver, Thunder Bay, Toronto and Hull will see above average gains in new house prices in 1994. New house prices will rise next year in every centre except St. Catharines, Ottawa, Montreal and Charlottetown. In these four centres, lower demand or smaller new homes, will keep prices from increasing. ■

New House Price Highest in Vancouver

Average New House Prices for Selected Centres – Forecast 1994
Percentage Change From Previous Year in ( )



Source: CMHC

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment:
Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:
Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:
The single new house price is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):
The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:
The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit Structures Vacancy Rate:
The three-unit structure vacancy rate is the overall private market vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

Resale Market Gains Momentum in 1994

The number of resales will grow at a modest pace of 3.2 per cent in 1994, following a forecast drop of 6.2 per cent in 1993. The 1994 gains, although moderate, will be widespread, as 21 centres will see both sales and average price climb next year. In fact, resales will increase in all but five major centres. Where there is a decline, it will not be more than five per cent.

Five centres will experience growth in sales and prices for the second straight year. Four of these areas are in Quebec: Trois-Rivières, Chicoutimi, Sherbrooke, and Hull. St. John's will also experience growth in both sales and average price for the second year in a row.

Most Active Resale Markets

Like the new housing market, the existing market in Toronto will also regain some lost ground next year. Both sales and prices will climb in 1994 buoyed by modest employment growth and improved affordability. Toronto will see its first increase in the resale price in five years as the average inches up to $212,000 in 1994.

Three of the five biggest percentage gainers will be in Ontario: Hamilton, London, and Toronto. Charlottetown and Sherbrooke will also be leading the nation in terms of percentage growth in activity over 1993.

In Hamilton, move-up buying activity, particularly demand for modestly priced two-storey homes, will give the resale market a lift next year. Job creation will also help to solidify consumer confidence in 1994.

After an off year in 1993, resales are forecast to rebound in London next year. Steady job growth for the second year in a row will bolster consumer confidence and this will be felt in the housing market.

Construction on the much awaited fixed link will give the Charlottetown resale market a shot in the arm in 1994. Both prices and sales will increase in response to the rise in economic activity and employment next year.

In Sherbrooke, expansion in the manufacturing sector will create jobs and boost the resale market in 1994. Next year will mark the second straight annual increase in resales for this Quebec centre.

Only five centres — Edmonton, Halifax, Regina, Calgary and Vancouver — will see resales slide in 1994. In most cases, the drop represents only a slight moderation from very strong activity in both 1992 and 1993. CMHC's First Home Loan Insurance program played a key role in stimulating strong first-time buying in the last two years and this has driven resales up to record levels in some centres.

In Edmonton, record levels of activity in the resale market simply cannot be sustained in 1993 and 1994, as employment growth flattens. Although 1994 will still be a good year, sluggish economic activity will reduce in-migration and moderate the pace of resales.

Much of the pent-up first-time buyer demand has been satisfied in Halifax over the past year, and as a result, resales will be down slightly in 1994. Activity will still be good in 1994 and above usual historical levels in Halifax.

In Regina, move-up buyers are shying away from the resale market. Employment growth will not be strong enough to stop the resale market from falling for the second year in a row.

Reduced household formation will lead to the modest decline in the Calgary resale market. Slow job creation in Calgary will make the centre a less attractive destination for migrants than it has been in the past, and this, coupled with an aging local population, will reduce the demand for housing.

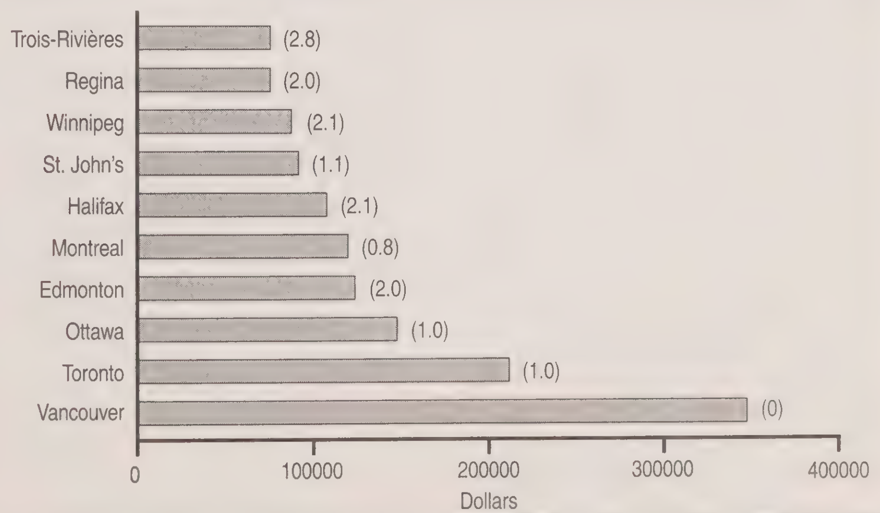
The resale market in Vancouver will take a breather in 1994, but sales will still be near 33,000. Declining consumer confidence, a drop in in-migration and reduced affordability, will be responsible for the small decrease in

continued on page 8

Highlights of 1994 Forecast
Percentage Change in Annual Resales 1993–1994

Top Five	%	Bottom Five	%
Charlottetown	15	Edmonton	–4
Hamilton	12	Regina	–4
London	10	Calgary	–3
Toronto	9	Vancouver	–2
Sherbrooke	8	Halifax	–2

Vancouver to Lead Again in Resale Prices
Average Resale Prices for Selected Centres – Forecast 1994
Percentage Change From Previous Year in ( )



Sources: CMHC, and local real estate boards.

Alberta Studies Show Starter Homes More Affordable in 1991 Than in 1977

Two recent Alberta government studies have some interesting findings that show total land and construction costs have increased less than both inflation and family income between 1977 and 1991. The result has been a significant improvement in housing affordability in Calgary, Edmonton and Lethbridge, the three cities included in the study.

Percentage of Families Able to Purchase	1977 %	1991 %
Calgary	30	52
Edmonton	29	48
Lethbridge	38	45

Source: Alberta Municipal Affairs.

The other interesting findings are:

- Construction costs, less inflation, were lower in 1991 than in 1977 primarily because labour and material prices were significantly lower.
- Lot costs for a standardized 42 ft. lot were also significantly lower in 1991 than in 1977 in real terms.
- Building code changes and municipal requirements resulted in a moderate increase in cost.
- Changes in industry standards responding to market demand have only increased costs moderately in terms of cost per square foot, but significantly in terms of total cost due to the increased size of the moderate home.
- The amount of tax paid by purchasers in 1991 is much greater than in 1977.

The studies, prepared for Alberta Municipal Affairs, responded to industry concerns about the impact of regulations on housing costs. They also investigated other factors affecting new housing costs, including: material and labour inputs, land costs, building codes and standards, taxes and market preferences.

The reason for choosing 1977 as a benchmark year was that Alberta Municipal Affairs carried out a major study in that year which analyzed the costs of producing a moderate-cost house in the three cities. The report on that study provided detailed reference information to allow a comparison over time.

The remainder of this article highlights the two studies. The first, entitled "Comparative Analysis of House Construction Costs", analyzed house construction costs in the benchmark years 1977 and 1991. The second study, "Comparative Analysis of Lot Costs", documents the cost of developing a serviced lot in the same two years.

Cost of Building 1977 Study Home in 1977 and in 1991
Calgary

Cost Item	1977	1991	Change
Labour	24,737	15,077	–32%
Materials	36,233	29,483	–18%
Sub-Total	60,970	44,560	–27%
Impact of Code/Standards changes		1,978	4%
Increase due to industry/market norms		893	2%
Sub-total	60,970	47,431	
All taxes on construction	1,818	2,125	17%
Total construction costs	62,788	49,556	–21%

Source: Alberta Municipal Affairs.
1977 values adjusted for inflation

1977 Starter Home Costlier to Build

Two approaches were followed to determine the changes in construction cost from 1977 to 1991. For comparison, 1977 costs were expressed in 1991 dollars using the Consumer Price Index to adjust for inflation. The findings for Calgary are listed in the article since the results are the same for Edmonton and Lethbridge.

The first approach examined the cost of building a 1977 model home in 1977 and in 1991. As shown, a 1977 three bedroom bungalow of 1,080 sq. ft. cost $62,788 to build in 1977 and dropped 21 per cent to $49,556 in 1991. This decline reflects a decrease in both material and labour costs over time. Improved productivity and a shift from site labour to shop labour between 1977 and 1991 influenced the 32 per cent drop in labour cost.

As expected, the impact of codes and standards as well as market norms increased the cost of housing construction in 1991. However, the increase was below 5 per cent for each and far less than the cost savings realized from labour and materials.

The second approach compared the cost of building a 1977 starter home in 1977 and a more moderately priced home of 1,570 sq. ft. in 1991. The home included a four-level split design, finished on three levels with an attached double garage and was typical of the preferences of first time buyers in 1991. As highlighted in the first table on page 7, the total builder's cost of building and marketing the two homes has decreased in Calgary from $141,500 in 1977 to $124,808 in 1991. The decrease reflects a drop in the costs of serviced lots (due to lower land costs), and a drop of soft costs, which include design, surveying, insurance, mortgage application, legal fees and marketing.

Hard construction costs, which include labour and materials costs, increased 15 per cent because of a change in market demand and tastes over the years. As indicated previously,

cost of labour and materials declined in 1991, however the amount of input increased as the size of a 1991 home was larger and included more amenities than that found in 1977.

While builder's cost decreased 12 per cent, the purchase price of the starter home dropped only 7 per cent as a result of a larger profit margin for builders and higher taxes. Lower profit margins in 1977 reflected the excess supply of homes which existed in Alberta at that time.

The increase in taxes occurred for two main reasons. One is that taxes are based on the value of the house constructed and, as indicated above, the preferences of first time buyers substantially increased the size of homes and the number of amenities between 1977 to 1991. Higher taxes were also due to increases in the rate of the Federal Sales Tax (F.S.T.) over time. Between 1977 and 1990, the F.S.T. rate increased from 5 per cent to 13.5 per cent, depending on the type of building material. The introduction of the Goods and Services Tax in 1991 had a nominal impact on taxes of homes in this study as a rebate on houses sold under $350,000 reduced the G.S.T. to approximately the same level as the previous Federal Sales Tax.

Lot Cost to Builders Lower in 1991

The study entitled "Comparative Analysis of Lot Costs", focused on changes in lot costs from 1977 to 1991 for the three Alberta cities. The Consumer Price Index was used to adjust the 1977 costs into real terms.

Cost of Building a 1977 Home in 1977 and a 1991 Home in 1991
Calgary

Cost Item	1977	1991	Change
Hard construction costs	60,970	70,278	15%
Soft cost	24,200	15,030	–38%
Total construction cost*	85,170	85,308	
Serviced lot	56,330	39,500	–30%
Total builder's costs	141,500	124,808	–12%
Profit**	5,660	7,488	32%
Price before taxes	147,160	132,296	–10%
Taxes	1,818	5,927	226%
Purchase price	148,978	138,223	–7%

* excluding taxes
** 4% in 1977, 6% in 1991

Source: Alberta Municipal Affairs.
1977 prices adjusted for inflation.

Inflation Adjusted Cost of Standardized 42-foot lot, 1977 and 1991
Consumer Price Index (1991 $) — Per cent change

	Calgary	Edmonton	Lethbridge
Land Costs	– 61	– 60	– 87
On-site Servicing	2	– 9	6
Off-site Servicing	– 13	52	39
Holding Costs	– 41	– 33	– 35
Overhead Costs	6	70	88
Total Costs	– 25	– 17	– 11
Lot Prices to Builders	– 14 to – 16	– 16 to – 18	0

Source: Alberta Municipal Affairs.

The total cost of a standardized 42 ft. serviced lot decreased 25 per cent in Calgary, 17 per cent in Edmonton and 11 per cent in Lethbridge between 1977 and 1991. The decreases are primarily due to a large decline in land costs caused by lower demand for land. In Edmonton and Calgary, land cost dropped about 60 per cent while in Lethbridge land costs dropped 87 per cent. Holding costs also declined significantly in response to the drop in land costs and a reduced holding period.

On-site servicing changed little for each city while off-site servicing increased the most in Edmonton (52 per cent) as a result of higher storm water management standards and the elimination of a subsidy on major sanitary sewer mains. The largest increase in cost for each center occurred in the overhead component as the number of lots available diminished in 1991.

In summary, lot prices to builders in 1991 decreased from 1977 prices for both Calgary and Edmonton while in Lethbridge prices remained the same due to higher overhead and servicing charges.

Overall, the findings of the two studies clearly show that between 1977 and 1991 affordability improved. The magnitude of the improvement was significant, allowing families access to much larger houses with more amenities. ■

Copies of the reports entitled "Comparative Analysis of House Construction Costs", ISBN 0-88654-382-7, and "Comparative Analysis of Lot Costs, ISBN 0-88654-383-5 are available from Alberta Municipal Affairs, 16th Floor, City Centre, 10155-102 Street, Edmonton, Alberta T5J 4L4 (403-427-8150).

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Employment Growth To Pick Up in 1994

Job growth will be a modest 1.3 per cent for all major areas combined in 1994, but this is an improvement over 1993, as employment is expected to grow by only .4 per cent. Employment gains in 1994 will be widespread, occurring in 23 of the 27 major urban areas. Thirteen centres will see jobs rise for the second straight year. As a result, consumer confidence will begin to slowly recover in 1994 and translate into growth in the housing market.

Employment will expand in all but three centres — Saskatoon, St. Catharines and Edmonton. In Saskatoon, there will be a slight drop in the number of jobs but it will still remain above the 1992 level. Employment growth will stabilize in Edmonton after hitting a record high in 1992. St. Catharines will experience its fourth straight year of contracting employment although job losses will be kept under one per cent in 1994.

As shown in the Summary of Employment Forecasts, in most major areas the recovery of jobs lost in the recent recession will be underway, albeit at a modest pace. Six centres — Victoria, Saskatoon, Sudbury, Kitchener, Oshawa and London have either recovered or will recover to their pre-recession levels. Vancouver and Edmonton have avoided the recent downturn in employment experienced in most centres.

Job creation will be fastest in Trois-Rivières at 3.9 per cent, largely due to an expansion in the manufacturing sector. Job gains in 1994 will be kept under two per cent for most other centres. ■

Summary of Employment Forecasts by Stage in Cycle

Did not experience downturn	Recovered to pre-recession level	Revovering but employment below pre-recession	Stable	Continued Decline
Edmonton	Sudbury	St. John's	Charlottetown	St. Catharines
Vancouver	Oshawa	Halifax	Saint John	
	London	Chicoutimi		
	Kitchener	Québec		
	Victoria	Trois-Rivières		
	Saskatoon	Sherbrooke		
		Montreal		
		Ottawa		
		Hull		
		Toronto		
		Hamilton		
		Windsor		
		Thunder Bay		
		Winnipeg		
		Regina		
		Calgary		

Source: CMHC Forecast

continued from page 5 resale activity. A bright spot will be growth in the condominium market where sales will be brisk at around 10,000 units.

The wide variation in the price of existing homes will continue across the country in 1994. Vancouver will lead the nation as the centre with the highest average resale price at $349,000. Resale homes will be priced the lowest in Trois-Rivières at $74,000 just over one-fifth of the price in Vancouver.

Price gains will generally be moderate but no centre will see declines. Only in Saskatoon and Vancouver will prices remain at 1993 levels. Among all major centres, Victoria will register the largest percentage gain in the average resale price at 6.1 per cent in 1994. This price gain is due to strong demand. ■

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

Enquiries regarding subscriptions should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9. Tel.: (819) 956-4802; Fax: (819) 994-1498.

Annual subscription (4 issues) $44 + GST
Catalogue No. NH12-7E
Single issue $11 + GST
Catalogue No. NH12-7-1993-4E.

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue NH12-7-1993-4F.

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ISSN 1188-4487
Printed in Canada

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CANADIAN HOUSING

MARKETS

CMHC Market Analysis Centre First Quarter 1994

Affordability Keeps Improving in Most Centres

Homeownership became even more affordable in most major Canadian centres in the second half of 1993. Falling mortgage rates and fairly stable or declining house prices have boosted both the percentage of renters who can afford to buy and the selection of affordable homes. Many markets are the most affordable they have ever been since CMHC first developed its affordability indicators in 1990. Both CMHC's demand indicator — the percentage of renters who can buy, and supply indicator — the percentage of affordable listings, keep breaking records in many areas.

Once again, the most and least affordable resale markets are on the nation's coasts. St. John's remains the most affordable centre in the country, both in terms of the percentage of renters who are able to buy and the percentage of affordable existing homes for sale. Vancouver and Victoria remain the most costly centres in the country, as demand keeps house prices up and affordability down.

This edition of Canadian Housing Markets features a new CMHC indicator which shows how affordable new housing is to potential first-time buyers. It measures the percentage of all newly built and sold single and semi-detached homes that are affordable to renter households in the prime home-buying age group of 20-44 years.

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Choice Never Better in Many Resale Markets

Now is one of the best times in years for renters looking to buy a resale starter home.

Over one-half the active listings in 21 major areas are priced within reach of potential first-time buyers. Fourteen markets now offer the best choice in lower cost resales since CMHC began tracking listings in 1990. Only in Victoria (12.0 per cent), Vancouver (33.9) and St. Catharines (47.8), are affordable listings less than one-half of the market.

The most affordable resale markets are in St. John's, Chicoutimi, Regina, Saskatoon and Winnipeg. In these CMAs, the average renter can choose from over 80 per cent of the active listings.

Since October 1992, renters in 17 centres have seen their dollars go further in the resale market. Lower mortgage rates have reduced carrying costs and raised the maximum affordable price of a home that renters can buy. The supply of affordable homes has improved the most in Sudbury, Calgary, St. Catharines, Vancouver, and Hamilton.

In Sudbury, because of lower average resale prices and modest income gains, more renters can afford what is put up for sale in the existing market. Sudbury's listings have never been more affordable to renters in the history of CMHC's supply indicator.

In Calgary, the resale market has become more attractive to potential first-time buyers. In spite of price gains in the last year, there is better choice for renters looking to buy existing homes. In fact, renters have more options now in this resale market than they have ever had in the past four years. A combination of household income growth and mortgage rate drops are responsible for the wider selection.

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Biggest Changes in Affordability

The Percentage of Listings Affordable December 1993 vs October 1992

	Percentage point change in affordability
UP	
Sudbury	25.2
Calgary	18.0
St.Catharines	13.0
Vancouver	12.2
Hamilton	10.2
DOWN	
Kitchener	-7.7
Hull	-3.8
Halifax	-3.2
Windsor	-3.1
Edmonton	-2.6

SOURCE: CMHC. Calculations based on local Real Estate Board data

New Singles and Semis Surprisingly Affordable

CMHC's new indicator shows that in 25 major centres, newly built single and semi-detached homes were more affordable in 1993 than they were in 1989. The rise in affordability is primarily due to the big drop in mortgage rates in the last four years but also reflects industry efforts to build smaller, more affordable homes. As a result, more and more first-time buyers are finding new housing an affordable option.

In fifteen centres, over half of the new singles and semis built in 1993 were within reach of potential first-time buyers. Chicoutimi was the most affordable new home market in the country in 1993, as over 95 per cent of new homes could be bought by the average renter household. The other most attractive centres for first-time buyers were Trois Rivieres, St. John's, and Halifax. In these areas over 80 per cent of the new houses sold went for prices the average renter household could afford.

By contrast, only 2.2 per cent of new singles and semis were affordable in Vancouver. Demand pressures and shortages of land in this centre have pushed the prices of new singles and semis out of reach of most first-time buyers. As a result, Vancouver was the only market where the indicator dropped between 1989 and 1993. The other least affordable markets in 1993 were Victoria and Hamilton, where less than 20 per cent of new singles and semis were within the reach of potential first-time buyers.

Of the three largest centres in Canada, Montreal was the most affordable last year, as over 75 per cent of new singles and semis could have been bought by renters. Renters looking to buy a home in Toronto during 1993 had a choice from 22 per cent of the new homes sold, a great improvement from 1989 when just over one per cent of new housing was within reach.

In many of the high cost areas, higher density housing forms are more affordable than new single or semi-detached houses. CMHC is working to incorporate row and apartment forms of new housing into our affordability analysis in future issues of Canadian Housing Markets. ■

Percentage of New Singles and Semis That Are Affordable

CENSUS METROPOLITAN AREA (CMA)	1993	1989	PERCENTAGE POINT CHANGE 1989 TO 1993
Chicoutimi	96.2	82.4	13.8
Trois-Rivieres	92.2	62.0	30.2
St. John's	89.1	60.6	28.5
Halifax	80.8	37.4	43.4
Sherbrooke	79.7	50.0	29.7
Quebec	76.6	39.1	37.5
Montreal	75.3	32.0	43.3
Hull	73.3	40.5	32.8
Saint John	68.7	49.7	19.0
Saskatoon	61.5	32.3	29.2
Winnipeg	56.2	27.4	28.9
Windsor	54.9	14.4	40.5
Thunder Bay	54.3	12.1	42.2
Charlottetown	50.3	N/A	N/A
Sudbury	50.2	14.8	35.4
St. Catharine's	49.8	4.0	45.8
Calgary	49.7	18.0	31.8
London	41.5	4.7	36.8
Oshawa	37.2	1.3	35.9
Edmonton	36.3	14.5	21.8
Kitchener	33.0	1.5	31.5
Regina	30.5	18.9	11.6
Toronto	22.9	1.1	21.8
Ottawa	21.4	4.3	17.1
Hamilton	16.8	.3	16.6
Victoria	4.6	2.5	2.1
Vancouver	2.2	3.5	-1.3

Source: CMHC
Data for Charlottetown not available in 1989.

More Renters Can Afford Resale Starter Homes

"Falling mortgage rates and declining house prices have not only improved the supply of affordable housing, these factors have also made it possible for more renters to afford starter homes."

CMHC's demand affordability indicator shows that the percentage of renters who can afford a resale starter home has gone up in 23 centres from the second half of 1992 to the second half of 1993. The one-half percentage point drop in the average three-year mortgage rate – from 8.5 to 8.0 per cent, coupled with declining or only modestly rising prices, lifted affordability in most markets over the last year.

The percentage of renters that could afford to buy a resale home rose the most in Southern Ontario. Oshawa led the nation in terms of affordability gains mainly because it had the sharpest drop in starter home prices. St. Catharines, Kitchener, Toronto and Hamilton were the only other major centres in Canada to see the average starter home price fall over the last year. As a result, these centres saw the biggest improvement in affordability.

Only four centres saw a drop in affordability between the last half of 1992 to the last half of 1993. In no

continued on page 6

Biggest Changes in Affordability

The Percentage of Renters Who Can Afford to Buy December 1993 vs. October 1992

UP	Percentage point change in affordability
Oshawa	7.7
St. Catharines	4.0
Kitchener	3.9
Toronto	3.6
Hamilton	3.5
DOWN	
Saskatoon	-1.9
Vancouver	-.9
Windsor	-.8
Hull	-.1

Source: CMHC

The Percentage of Renters Who Can Afford to Buy a Starter Home

(Ranked Highest to Lowest Based on July-Dec 1993)

CENSUS METROPOLITAN AREAS (CMA)	TOTAL JUL-DEC 1993	TOTAL JUL-DEC 1992*	FAMILY JUL-DEC 1993	FAMILY JUL-DEC 1992*	NON-FAMILY JUL-DEC 1993	NON-FAMILY JUL-DEC 1992*
St. John's	52.6	52.2	52.6	52.2	52.0	51.7
Chicoutimi-Jonquière	51.9	49.9	54.5	52.5	43.8	41.8
Thunder Bay	51.6	51.5	57.9	57.8	40.4	40.2
Windsor	48.5	49.3	53.3	54.0	41.3	42.1
Saskatoon	47.4	49.3	51.7	53.5	42.6	44.6
Winnipeg	45.5	44.1	51.7	50.5	38.2	36.7
Saint John	45.0	44.1	46.8	45.9	39.6	38.7
Regina	44.8	43.7	48.4	47.3	40.6	39.5
Halifax	43.4	41.4	49.1	47.0	34.5	32.6
Calgary	42.5	39.6	49.0	46.0	34.8	32.0
Quebec	42.2	40.7	50.9	49.5	29.6	28.1
Edmonton	41.8	40.1	48.7	47.1	32.7	31.0
Charlottetown	41.8	39.6	46.9	44.3	36.2	34.3
Oshawa	41.6	33.9	46.2	38.0	30.3	23.7
Trois-Rivières	40.8	39.0	46.9	45.0	30.4	28.7
St. Catharines-Niagara	40.4	36.4	44.2	40.2	32.6	28.6
Hull	40.4	40.5	45.3	45.4	30.6	30.7
Montréal	39.0	36.9	47.6	45.4	26.8	24.9
London	38.8	38.0	46.6	45.7	28.9	28.2
Sudbury	38.6	36.3	43.4	41.0	28.1	26.2
Kitchener	37.6	33.7	44.2	40.2	26.3	22.8
Sherbrooke	37.5	34.8	44.9	41.9	26.9	24.3
Ottawa	34.3	32.2	42.4	40.0	24.6	22.8
Hamilton	33.4	29.9	39.0	35.6	24.4	20.9
Toronto	31.6	28.0	38.4	34.1	22.1	19.3
Vancouver	20.9	21.8	28.1	29.1	13.8	14.5
Victoria	9.6	8.8	13.4	12.3	5.1	4.6

Source: CMHC
* *Revised in some areas since previous publication.*

Resale Supply Affordable to Average Renter Households

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1993 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE
Victoria	Family	46,055	152,904	19.3	Condo Apartment; Townhouse
	Non Family	36,946	117,542	4.7	Condo Apartment
	Total	42,439	138,866	12.0	Condo Apartment
Vancouver	Family	60,878	216,219	37.7	New Townhouse; Older Bungalow†
	Non Family	50,709	173,450	28.9	Newer** Condo Apt.
	Total	56,038	195,550	33.9	Older Thouse; New Condo Apt.
Edmonton	Family	48,340	156,818	70.5	New Small Split; New Small 2 Storey
	Non Family	40,577	126,680	54.7	Older 1 1/2 Storey; New Thouse Condo
	Total	45,167	144,499	64.4	New Small Split; Older Bungalow
Calgary	Family	50,843	175,303	78.0	New 2 Storey
	Non Family	43,648	147,369	64.0	New Semi or Row Condo
	Total	47,654	162,922	73.0	2 storey; Split-Level
Saskatoon	Family	44,948	148,143	87.0	Bungalow; Split-Level
	Non Family	39,193	125,801	78.7	Bungalow; Split-Level
	Total	42,239	137,627	83.5	Bungalow; Split-Level
Regina	Family	42,804	134,863	86.7	Bungalow
	Non Family	37,277	113,405	81.9	Bungalow
	Total	40,159	124,594	84.7	Bungalow
Winnipeg	Family	48,039	150,578	N/A	N/A
	Non Family	40,759	122,319	N/A	N/A
	Total	44,803	138,015	83.1	Bungalow
Thunder Bay	Family	55,840	186,720	78.5	Bungalow; 1 1/2 Storey; 2 Storey
	Non Family	47,781	154,820	64.8	Bungalow; 1 1/2 Storey; 2 Storey
	Total	52,999	175,078	74.6	Bungalow; 1 1/2 Storey; 2 Storey
Sudbury	Family	47,723	156,716	72.9	Bungalow; 1 1/2 storey
	Non Family	42,580	136,747	58.5	Bungalow
	Total	46,193	150,776	69.5	Bungalow; 1 1/2 storey
Windsor	Family	58,932	192,030	79.4	1 1/2 Storey; Bungalow; 2 Storey
	Non Family	48,431	150,167	59.7	1 1/2 Storey; Bungalow; 2 Storey
	Total	54,818	174,965	72.7	1 1/2 Storey; Bungalow; 2 Storey
London	Family	55,675	183,059	72.8	Bungalow; 2 Storey; Split-Level
	Non Family	45,137	141,867	52.7	Row/Apt. Condo; Bungalow
	Total	51,351	165,992	65.0	Bungalow; Row Condo; 2 Storey
Kitchener	Family	50,965	164,534	62.8	Bungalows; 2 Storey
	Non Family	43,157	134,221	42.7	Bungalow; Townhouse
	Total	48,190	153,760	57.3	Bungalows; 2 Storey
St. Catharines	Family	49,539	163,570	51.3	Bungalows; 2 Storey
	Non Family	42,537	136,385	37.5	Bungalows
	Total	47,299	154,872	47.8	Bungalows
Hamilton	Family	51,925	168,585	65.3	All Types
	Non Family	42,203	130,844	41.2	Bungalow; 1 1/2 Storey
	Total	48,203	154,136	56.2	Bungalow; 2 Storey

Resale Supply Affordable to Average Renter Households (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1993 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE
Toronto	Family	64,929	215,375	N/A	N/A
	Non Family	56,393	179,023	N/A	N/A
	Total	61,679	201,498	N/A	N/A
Oshawa	Family	54,248	175,155	N/A	N/A
	Non Family	46,751	146,051	N/A	N/A
	Total	52,009	166,465	N/A	N/A
Ottawa	Family	56,504	177,205	61.0	2 Storey; Bungalow
	Non Family	46,250	137,396	38.4	Condo Apt.; Condo Row
	Total	52,041	159,877	50.6	Condo Apt.; Bungalow
Hull	Family	45,835	139,723	72.0	Bungalow
	Non Family	39,248	114,150	55.0	Bungalow
	Total	43,805	131,844	68.0	Bungalow
Montréal	Family	50,753	159,181	73.8	All Types
	Non Family	40,977	121,229	48.9	All Types
	Total	47,172	145,280	66.1	All Types
Trois-Rivieres	Family	41,466	128,249	N/A	N/A
	Non Family	35,251	104,119	N/A	N/A
	Total	39,432	120,351	N/A	N/A
Sherbrooke	Family	41,622	126,404	77.2	Bungalow; 2 Storey
	Non Family	36,268	105,620	62.6	Bungalow; 2 Storey
	Total	39,750	119,136	72.7	Bungalow; 2 Storey
Québec	Family	46,750	139,747	82.6	All Types
	Non Family	39,453	111,419	64.6	All Types
	Total	44,172	129,739	78.2	All Types
Chicoutimi-Jonquière	Family	44,589	137,984	91.0	Standard Bungalow
	Non Family	39,394	117,813	81.0	Standard Bungalow
	Total	43,406	133,390	89.0	Standard Bungalow
Saint John	Family	41,753	134,936	82.0	Large 2 Storey
	Non Family	37,182	117,190	73.0	Large Split Entry
	Total	40,292	129,264	78.0	Modest 2 Storey
Halifax	Family	44,874	146,028	72.6	Single-Detached
	Non Family	40,582	129,362	62.0	Single-Detached
	Total	43,285	139,856	67.5	Single-Detached
St. John's	Family	53,666	164,184	89.6	Bungalow
	Non Family	53,171	162,260	89.4	2 Storey
	Total	53,518	163,608	89.6	Bungalow; 2 Storey
Charlottetown	Family	40,663	130,065	68.0	All Types
	Non Family	37,494	117,762	56.0	All Except Executive 2 Storey
	Total	39,684	126,264	63.0	All Except Executive 2 Storey

** Calculated with a mortgage rate of 8.0 per cent.*
***Newer is five years old or less.*
† Older is ten years old or more.
Thouse refers to town house and appears throughout this table where space dictates.
N/A is data not available from local real estate board.
Sources: CMHC, local Real Estate Boards and Statistics Canada.

continued from page 1

In spite of an increase in listings, Vancouver remains one of the least affordable centres in Canada.

Potential first-time buyers in St. Catharines and Hamilton have seen their housing choices dramatically improve. The percentage of affordable listings has risen by over ten percentage points since October 1992 in each area.

The percentage of affordable listings has fallen in only seven centres since October 1992: Kitchener, Hull, Halifax, Windsor, Edmonton, Saskatoon and Winnipeg. In Kitchener, affordable resales fell by 7.7 percentage points, partly because of very small renter income gains. In the other areas, the drop was less than four percentage points and was also primarily due to weak renter income growth. ■

continued from page 3

centre was the decline more than two percentage points, which means the large affordability gains of the past few years are holding. In Saskatoon, relatively strong price growth in starter homes has caused the 1.9 percentage point drop in the indicator.

"Not Only Are Affordability Gains Since 1989 Holding, New Records Were Created In Fifteen Markets During 1993."

In Hull, Windsor and Vancouver, price gains just offset the fall in mortgage rates resulting in a very slight decline in the percentage of renters who can afford to buy.

St. John's, Chicoutimi and Thunder Bay were the most affordable CMAs in the country in the second half of 1993. Over half the renter households in these areas can afford to buy a starter home. Victoria and Vancouver remain the least affordable centres in the nation, where respectively, only 9.6 and 20.9 per cent of renters can purchase a starter home. High prices, driven up by strong demand, continue to keep many renters out of the homebuying market in these areas.

Since 1989, affordability has improved in all but two centres and hit record levels in fifteen markets. Falling mortgage rates and fairly flat or sliding house prices, have allowed affordability to reach new heights in many areas.

In Toronto, the percentage of renters who can buy, at 31.6 per cent, is now five times its 1989 level of 6.3 per cent. Seven other Ontario Census Metropolitan Areas (CMAs) have also seen new highs: Ottawa, Oshawa, Hamilton, St. Catharines, Kitchener, Sudbury and Thunder Bay.

In Montreal, the share of potential homebuyers among renters has almost doubled since the first half of 1990. This is because hefty mortgage rate drops and moderate income gains have more than offset any price growth. Sherbrooke, Chicoutimi and Saint John have also posted record levels of affordability.

Renter affordability has risen to record heights in the Prairie centres of Edmonton, Calgary and Winnipeg. In Calgary, the share of renters who are potential homebuyers has doubled since 1990.

Victoria and Charlottetown were the only two centres where the indicator dropped since 1989. However, the decline in these areas was less than 2.5 percentage points. ■

Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING COST $		MONTHLY TOTAL CARRYING COST $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JUL-DEC 1993	JUL-DEC 1992	JUL-DEC 1993	JUL-DEC 1992*	JUL-DEC 1993	JUL-DEC 1992¶	JUL-DEC 1993	JUL-DEC 1992	JUL-DEC 1993	JUL-DEC 1992*	JUL-DEC 1993	JUL-DEC 1992*
Victoria	188,158	172,513	1,318	1,266	1,484	1,484	650	650	1,496	1,444	56,108	54,135
Vancouver	188,718	172,464	1,322	1,265	1,500	1,500	430	430	1,483	1,426	55,602	53,484
Edmonton	103,422	102,041	728	749	2,023	2,023	520	520	940	961	35,252	36,023
Calgary	118,378	117,997	833	866	1,300	1,300	520	520	985	1,017	36,942	38,154
Saskatoon	76,543	69,815	539	512	1,542	1,542	630	630	720	693	26,998	25,998
Regina	74,441	71,175	524	522	1,971	1,971	610	610	739	737	27,720	27,649
Winnipeg	78,411	77,405	552	568	2,181	2,181	780	780	799	815	29,954	30,550
Thunder Bay	108,609	101,980	765	748	1,300	1,300	890	890	947	931	35,519	34,903
Sudbury	106,422	104,953	749	770	1,534	1,534	820	820	945	966	35,454	36,233
Windsor	104,685	97,974	737	719	1,956	1,956	580	580	948	930	35,566	34,884
London	125,443	119,819	883	879	1,550	1,550	630	630	1,065	1,061	39,932	39,780
Kitchener	126,758	130,284	892	956	2,107	2,107	640	640	1,121	1,185	42,051	44,431
St. Catharines-Niagara	105,977	109,364	746	802	1,800	1,800	570	570	944	1,000	35,387	37,497
Hamilton	133,814	136,545	942	1,002	2,100	2,100	620	620	1,169	1,229	43,830	46,070
Toronto	167,001	172,099	1,176	1,263	2,670	2,670	620	620	1,450	1,537	54,372	57,632
Oshawa	133,886	142,432	943	1,045	2,322	2,322	600	600	1,186	1,289	44,480	48,321
Ottawa	137,184	135,861	966	997	2,795	2,795	680	680	1,255	1,286	47,079	48,241
Hull	96,183	90,935	677	667	1,900	1,900	1,250	1,250	940	930	35,239	34,865
Montreal	102,019	100,511	718	737	1,900	1,900	1,220	1,220	978	997	36,685	37,405
Trois-Rivières	72,011	70,448	507	517	1,398	1,398	1,300	1,300	732	742	27,444	27,815
Sherbrooke	78,838	78,602	555	577	1,570	1,570	1,330	1,330	797	818	29,877	30,689
Quebec	86,741	83,344	611	612	2,111	2,111	1,330	1,330	897	898	33,655	33,685
Chicoutimi-Jonquière	68,726	67,710	484	497	1,515	1,515	1,380	1,380	725	738	27,192	27,677
Saint John	72,190	69,214	508	508	1,089	1,089	1,150	1,150	695	694	26,056	26,040
Halifax	100,363	99,445	707	730	1,323	1,323	1,000	1,000	900	923	33,758	34,622
St. John's	92,190	88,101	649	646	1,088	1,088	1,190	1,190	839	836	31,460	31,360
Charlottetown	79,093	79,093	557	580	1,271	1,271	1,020	1,020	748	771	28,043	28,922

Sources: CMHC, Statistics Canada and Natural Resources Canada.
Please note that the sample used by Statistics Canada to calculate property taxes has changed since July 1992.
Also note that the taxes do not include any rebates.
¶ Revised due to improved data.
** Revised figures in some areas since last publication.*

DEFINITIONS

DEMAND AFFORDABILITY INDICATOR

Per Cent of Renters Who Can Afford:

This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:

The average starter house price is defined as the average price for an NHA insured existing home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period. This price excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:

The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:

Average property taxes for a dwelling owned and occupied by its owner. Data are based on Statistics Canada and CMHC data.

Heating Costs:

Average heating costs representative of a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs:

Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:

The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage:

A three-year term closed mortgage was assumed with a 25 year amortization period. An average mortgage rate of 8.5 per cent was used for the second half of 1992 and a rate of 8.0 per cent was used for the second half of 1993.

SUPPLY INDICATORS

Renter Household Types:

Renter households aged 20-44 who have the potential to become home owners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicators.

Maximum Affordable House:

Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 8.0 per cent is used and a 10 per cent down payment is assumed.

Resale Supply Available:

The per cent of MLS active listings at or below the maximum affordable house price.

Most Prevalent Resale House Types:

The house types most often listed in the supply of listings. The house types are not exclusive of other house types that could also be included in the supply available.

New Supply Indicator:

The per cent of new single and semi-detached dwellings sold at or below the maximum affordable house price.

**Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre,
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**Enquiries regarding subscriptions should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9.
Tel.: (819) 956-4802;
Fax: (819) 994-1498.**

**Annual subscription (4 issues) $44 + GST
Catalogue No. NH12-7E
Single issue $11 + GST
Catalogue No. NH12-7-1994-1E.**

**Cette publication est aussi disponible en français sous le titre
Marchés de l'habitation canadiens
Numéro de catalogue NH12-7-1994-1F.**

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**ISSN 1188-4487
Printed in Canada**

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Contributors to Canadian Housing Markets include Greg Goy, Kirk Duerden, Bruno Duhamel and all local market analysts. Production of the report is handled by Wally Nickerson, Michèle Boutin, Sylvie Mathurin and Debbie Galipeau in the Market Analysis Centre.

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Starts recovery to fade — Resales to rise over 2 per cent

FORECAST HIGHLIGHTS

- ***Most markets will have more starts and resales***
- ***Starts forecast to moderate in centres west of Regina***
- ***Big jump in starts for mid-sized centres in Quebec and Ontario***
- ***Toronto starts to rise — average prices will drop***
- ***Montreal will see more resales***
- ***Faster employment growth behind improving consumer confidence***

Within the 27 major Canadian markets, starts are forecast to dip 1 per cent in 1994. This varies from CMHC's national forecast of a starts increase of 1 per cent driven by a faster upturn in smaller urban and rural centres (for more information on the national forecast, read CMHC's *National Housing Outlook*).

The forecast drop in major centres is almost entirely because of a slowdown in starts within markets west of Regina. This will be a much smaller setback than in 1993 when starts fell 7 per cent. Growing demand in eastern and central Canada is moderating this year's decline. Eighteen out of 27 markets will see higher starts.

Meanwhile, a faster market recovery is taking shape in the resale market with sales forecast to rise over 2 per cent in 1994. This reverses the trend of 1993 when resales declined 9 per cent. Nineteen out of 27 major markets will see more resales.

As in the new home market, resales will fare much better in eastern and central markets with western markets taking the brunt of the declines. In Vancouver, Calgary and Edmonton, combined resales will fall almost 3 per cent. This east-west split is happening because some western markets have peaked and will experience a moderation in demand. Also, in central Canadian markets, demand is turning upward because of improvements to consumer confidence and rising migration.

This year's faster employment growth rate will sustain consumer confidence above 1993 levels. Job markets are forecast to grow at 1.1 per cent in 1994, compared with only 0.2 per cent in 1993.

Job growth will rise more quickly in mid sized central markets, driving up consumer confidence and housing demand fastest in these areas. These are the 14 major centres in the Windsor-Québec corridor and northern Ontario, excluding Toronto and Montreal. Total employment in these centres will rise 2 per cent. Québec, Chicoutimi and St. Catharines are exceptions to this pattern and will see lower employment.

Consumer confidence also rose in response to the 30 year record low mortgage rates in the first quarter of 1994. However, higher rates since March will limit consumer confidence gains this year. Buyers will take advantage of pre-approved, lower rate mortgages obtained in the first quarter of 1994, and some potential buyers will step up their purchase plans because of the renewed risk of mortgage rate fluctuation. But a more noticeable moderation in demand due to higher mortgage rates is forecast for less affordable, interest rate sensitive markets like Vancouver.

Average prices will go up in 21 out of the 27 markets for new homes and in 23 markets for resale homes.

Recovery of New Home Market Stalled

Total annual housing starts will drop 1 per cent within major markets in 1994, CMHC forecasts show. This overall decline *continued on page 4*

Highlights of 1994 Forecast

Percentage Change in Annual Starts: 1993-1994

Top Five	%	Bottom Five	%
Sudbury	37	Edmonton	– 24
Windsor	36	Saskatoon	– 16
Trois-Rivières	21	London	– 12
Thunder Bay	16	Vancouver	– 11
St. Catharines	11	Victoria	– 6

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1992	125,700		2,421		229,000		8,142		222,400		2.6	1.5
	1993	129,400	2.9	2,633	8.8	269,900	17.9	7,344	-9.8	246,700	10.9	2.1	1.8
	1994**	133,300	3.0	2,475	-6.0	297,000	10.0	7,700	4.8	259,000	5.0	3.0	2.4
Vancouver	1992	821,000		18,684		369,495		37,073		297,150		2.8	1.6
	1993	816,000	-0.6	21,307	14.0	444,340	20.3	31,150	-16.0	349,601	17.7	2.0	1.1
	1994**	828,000	1.5	19,000	-10.8	480,000	8.0	31,000	-0.5	368,000	5.3	1.4	1.3
Edmonton	1992	370,000		6,764		168,672		12,772		119,326		3.8	4.0
	1993	365,600	-1.2	6,720	-0.7	170,653	1.2	11,489	-10.0	122,701	2.8	5.5	6.5
	1994**	363,000	-0.7	5,100	-24.1	169,000	-1.0	10,500	-8.6	120,000	-2.2	9.1	9.5
Calgary	1992	361,000		7,034		174,674		17,857		128,571		5.2	5.5
	1993	361,500	0.1	6,629	-5.8	173,365	-0.7	17,001	-4.8	131,936	2.6	7.0	5.9
	1994**	366,500	1.4	6,500	-1.9	178,000	2.7	16,500	-2.9	135,000	2.3	6.3	5.0
Saskatoon	1992	84,800		464		130,800		2,828		74,946†		7.5	4.3
	1993	84,500	-0.4	593	27.8	137,606	5.2	2,750	-2.8	78,993†	5.4	6.7	2.7
	1994**	86,900	2.8	500	-15.7	146,000	6.1	2,650	-3.6	81,500†	3.2	4.0	3.0
Regina	1992	87,800		666		138,294		2,910		72,373†		5.1	3.6
	1993	88,500	0.8	563	-15.5	147,262	6.5	2,690	-7.6	72,781†	0.6	4.6	3.7
	1994**	89,100	0.7	600	6.6	148,000	0.5	2,800	4.1	75,000†	3.0	4.1	4.2
Winnipeg	1992	297,830		1,620		136,495		10,386		81,990		5.9	6.1
	1993	301,170	1.1	1,540	-4.9	137,810	1.0	9,604	-7.5	83,060	1.3	5.7	5.9
	1994**	305,690	1.5	1,650	7.1	139,880	1.5	9,900	3.1	84,725	2.0	5.4	5.1
Thunder Bay	1992	58,200		563		163,868		1,594		108,648		2.1	2.5
	1993	57,700	-0.9	549	-2.5	176,747	7.9	1,455	-8.7	114,964	5.8	3.2	2.7
	1994**	58,700	1.7	638	16.2	182,049	3.0	1,485	2.1	117,839	2.5	4.4	4.5
Sudbury	1992	68,100¶		1,289		161,100		2,151		116,157		2.1	2.5
	1993	68,900¶	1.2	715	-44.5	161,000	-0.1	1,877	-12.7	113,900	-1.9	5.1	3.8
	1994**	71,000	3.0	978	36.8	166,100	3.2	2,130	13.5	117,900	3.5	5.1	4.0
Windsor	1992	114,600		1,376		188,056		4,874		106,230		3.6	3.3
	1993	116,600	1.7	1,222	-11.2	190,608	1.4	4,545	-6.8	109,214	2.8	3.1	2.6
	1994**	121,500	4.2	1,665	36.3	194,700	2.1	4,900	7.8	114,500	4.8	2.6	1.5
London	1992	164200		1553		224447		6285		135962		4.1	3.5
	1993	174200	6.1	2522	62.4	226382	0.9	5802	-7.7	133835	-1.6	3.9	3.8
	1994**	176500	1.3	2225	-11.8	220000	-2.8	6250	7.7	137000	2.4	4.7	4.1
Kitchener	1992	186,100		2,240		204,860		3,949		145,015		4.2	4.4
	1993	195,300	4.9	1,705	-23.9	179,110	-12.6	3,583	-9.3	138,741	-4.3	5.3	4.3
	1994**	200,000	2.4	1,750	2.6	183,000	2.2	3,750	4.7	142,000	2.3	4.2	4.1
St. Catharines-Niagara	1992	142,200		1,669		196,599		2,427		128,987		2.9	3.4
	1993	138,700	-2.5	1,015	-39.2	180,250	-8.3	2,308	-4.9	124,665	-3.4	5.3	4.9
	1994**	138,100	-0.4	1,130	11.3	180,000	-0.1	2,475	7.2	127,050	1.9	6.0	5.0
Hamilton	1992	289,700		2,632		223,734		8,608		151,037		2.4	2.3
	1993	290,000	0.1	2,989	13.6	221,015	-1.2	7,747	-10.0	143,432	-5.0	2.8	2.7
	1994**	305,000	5.2	3,100	3.7	225,000	1.8	8,300	7.1	148,000	3.2	2.7	2.6
Toronto	1992	1,778,000		20,770		322,678		41,703		214,971†		1.9	2.2
	1993	1,772,000	-0.3	15,637	-24.7	307,244	-4.8	38,990	-6.5	206,490†	-3.9	2.1	2.0
	1994**	1,780,000	0.5	17,300	10.6	302,000	-1.7	41,000	5.2	205,000†	-0.7	1.8	1.8

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Oshawa	1992	104,000		2,188		195,990		5,507		145,011		4.4	6.1
	1993	N/A	N/A	1,409	-35.6	190,839	-2.6	4,655	-15.5	136,377	-6.0	5.8	4.6
	1994**	N/A	N/A	1,450	2.9	196,000	2.7	4,850	4.2	138,000	1.2	4.1	3.5
Ottawa	1992	339,200		5,830		204,416		9,089		143,868†		1.4	1.3
	1993	335,500	-1.1	4,421	-24.2	204,397	0.0	8,223	-9.5	146,970†	2.2	1.8	1.8
	1994**	342,500	2.1	4,800	8.6	206,700	1.2	8,600	4.6	148,700†	1.2	2.5	2.1
Hull	1992	136,000		2,368		131,066		1,543		102,740		4.2	3.7
	1993	139,000	2.2	2,367	0.0	137,625	5.0	1,711	10.9	105,089	2.3	3.6	4.5
	1994**	141,000	1.4	2,400	1.4	141,700	3.0	1,800	5.2	107,000	1.8	4.7	5.2
Montréal	1992	1,378,000		14,520		131,518		18,063		116,335		6.4	7.7
	1993	1,375,000	-0.2	13,729	-5.4	134,525	2.3	17,242	-4.5	117,009	0.6	6.4	7.7
	1994**	1,385,000	0.7	13,450	-2.0	136,000	1.1	18,100	5.0	117,000	0.0	6.4	7.8
Trois-Rivières	1992	49,300		696		80,000		705		71,000		8.1	7.0
	1993	51,900	5.3	783	12.5	81,500	1.9	709	0.6	71,500	0.7	7.0	6.5
	1994**	54,500	5.0	950	21.3	84,000	3.1	730	3.0	73,500	2.8	6.3	5.3
Sherbrooke	1992	54,750		749		93,300		728		84,500		8.6	9.3
	1993	56,000	2.3	778	3.9	101,560	8.9	813	11.7	86,000	1.8	8.0	7.6
	1994**	57,000	1.8	840	8.0	106,000	4.4	956	17.6	88,900	3.4	6.2	5.4
Québec	1992	285,800		6,300		94,300		4,237		80,000‡		5.3	6.3
	1993	286,200	0.1	4,699	-25.4	97,200	3.1	3,805	-10.2	81,500‡	1.9	5.3	6.0
	1994**	284,000	-0.8	4,900	4.3	99,100	2.0	3,800	-0.1	83,100‡	2.0	5.7	5.2
Chicoutimi-Jonquière	1992	54,830		737		79,300		1,430§		76,470		4.8	7.1
	1993	53,170	-3.0	668	-9.4	79,700	0.5	1,430§	0.0	78,100	2.1	5.4	6.3
	1994**	52,600	-1.1	690	3.3	81,300	2.0	1,440§	0.7	79,300	1.5	5.3	5.9
Saint John	1992	54,000		493		114,155		1,163		84,872		5.9	6.0
	1993	55,500	2.8	471	-4.5	115,282	1.0	1,089	-6.4	87,329	2.9	7.7	6.3
	1994**	56,500	1.8	500	6.2	117,000	1.5	1,050	-3.6	88,000	0.8	8.7	7.5
Halifax	1992	150,000		2,420		118,700		4,777		99,975		5.5	5.7
	1993	151,000	0.7	2,127	-12.1	121,500	2.4	4,637	-2.9	102,500	2.5	7.1	6.3
	1994**	153,000	1.3	2,155	1.3	124,500	2.5	4,500	-3.0	105,600	3.0	7.2	8.1
St. John's	1992	69,500		1,024		128,700		1,720		91,959		7.3	5.6
	1993	70,500	1.4	1,137	11.0	124,000	-3.7	1,741	1.2	92,319	0.4	7.9	8.8
	1994**	71,500	1.4	1,200	5.5	126,500	2.0	1,800	3.4	93,500	1.3	10.6	9.4
Charlottetown	1992	24,000		336		123,000		288		95,150		8.5	6.4
	1993	23,750	-1.0	341	1.5	125,600	2.1	240	-16.7	94,500	-0.7	7.2	4.8
	1994**	24,000	1.1	330	-3.2	125,000	-0.5	240	0.0	94,000	-0.5	7.8	6.5
ALL	1992	7,544,610	—	107,406	—	—	—	212,809	—	—	—	—	—
METRO	1993	7,557,590	0.2	99,269	-7.6	—	—	194,630	-8.5	—	—	—	—
AREAS	1994**	7,644,890	1.2	98,276	-1.0	—	—	199,206	2.4	—	—	—	—

* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

** 1994 values are CMHC forecasts except for the April vacancy rate which is actual.

† Average MLS price.

¶ Revised due to improved data.

‡ Average price for single-detached, semi-detached, row and apartment.

§ Sales data is from TEELA.

NOTE: CMA employment totals exclude Oshawa.

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1 will be due to a combined drop of over 4,000 starts or 11 per cent in centres west of Regina and a slower than expected upturn in other centres, particularly Toronto.

While the national recovery will be delayed, 18 out of 27 markets will experience moderate increases in housing starts and 22 markets will have higher average new house prices.

The Most Active New Housing Markets

The fastest gains in new housing starts in 1994 will be in Sudbury, Windsor, Trois-Rivières, Thunder Bay, and St. Catharines. These centres are part of the group of 14 mid-sized central Canadian markets which are now leading employment growth.

In Sudbury, Trois-Rivières and Windsor, starts will jump sharply due to especially strong consumer confidence. These three centres will see a second consecutive year of employment growth in 1994.

Windsor 's starts performance this year will be close to pre-recession levels (1,676 starts in 1989 versus 1,665 forecast for 1994). New home markets in Thunder Bay and St. Catharines are springing back after a very weak year in 1993.
St. Catharines is experiencing a small recovery in consumer confidence due to announcements that previously planned job cuts by General Motors would be carried out through early retirement.

The sharpest drops in starts in 1994 will occur in Edmonton, London, Vancouver, Saskatoon and Victoria. The declines in Vancouver, Victoria and Edmonton come on the heels of decade highs during the last year or two.

The deepest decline will be in Edmonton where starts will tumble 24 per cent. This is more than previously forecast and is due to extensive lay-offs and job cuts. In fact, Edmonton will be the only western market to see its job market shrink for the second year in a row. By contrast, Calgary housing starts will decline only by about 2 per cent because of higher consumer confidence buoyed by plans for more natural gas exploration.

Even with a reduction in housing starts, Vancouver will see more activity in 1994 than any other centre. High migration will keep overall activity high. In Victoria, a reduction in the selection of building sites is also constraining development, at least for the next few months.

In London, the drop is primarily due to the timing of multiple projects. Starts will be down from an exceptionally high level in 1993, having risen 63 per cent that year.

CMHC forecasts a total of 17,300 housing starts in Toronto in 1994, an increase of nearly 11 per cent over 1993 levels. This is less than the 19,300 starts predicted earlier — the forecast was revised downward because of weaker than anticipated employment growth.

In Montréal, the industry will build 13,450 new units, a drop of 2 per cent over last year. Most of this decline will result from less rental housing construction in the wake of persistently high vacancy rates.

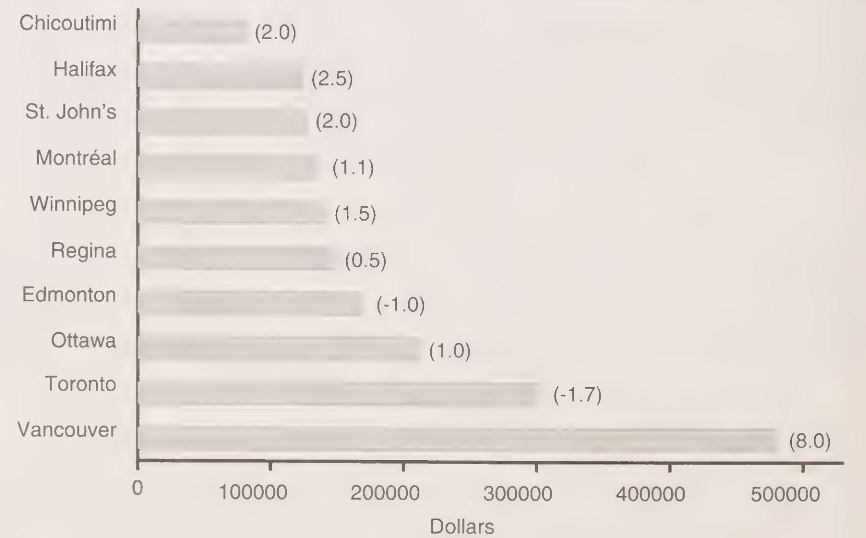
This year, Toronto's average new single house price will decline once more, but not as much as in 1993. The average is forecast to fall only 1.7 per cent in 1994, down from a 4.8 per cent drop in 1993. What's more, the decline will result not from lower market prices, but from a higher number of lower priced homes sold due to faster growing starter home demand.

Vancouver continues to be the most expensive market, and will have a record high average new single house price of $480,000. However, the latest annual average price increase of 8 per cent is partly due to increased move-up buying. Existing home owners are taking advantage of recent equity gains in their current homes, and are buying even more expensive new homes.

The average price in Vancouver is almost six times higher than in Chicoutimi-Jonquière which is forecast to replace Trois-Rivières as the least expensive major market. Chicoutimi-Jonquière will have an average new house price of $81,300 in 1994. ■

Vancouver Prices Set Another Record

Average New House Prices for Selected Centres — Forecast 1994
Percentage Change from Previous Year in ( )



SOURCE: CMHC.

Resale Market to Rebound in 1994

Resales of existing homes for all major centres combined will rise by over 2 per cent in 1994, after a drop of almost 9 per cent in 1993. Only five major centres will not see higher prices in 1994.

The resale market is forecast to recover before new housing for two main reasons. 1) The upturn in demand is located in eastern and central markets where buyers will take advantage of a wide selection of affordable resale homes. 2) Much of the housing demand in 1994 will come from first-time buyers who traditionally buy more resale homes than new.

The most rapidly growing resale centres will be the 14 major central markets excepting Montréal and Toronto. Sales in these markets will rise almost 6 per cent. Combined resales in Calgary, Edmonton, and Vancouver - the three largest markets west of Winnipeg — will fall almost 3 per cent.

Highlights of 1994 Forecast
Percentage Change in Annual Resales: 1993-1994

Top Five	%	Bottom Five	%
Sherbrooke	18	Edmonton	– 9
Sudbury	13	Saskatoon	– 4
Windsor	8	Saint John	– 4
London	8	Calgary	– 3
St. Catharines	7	Halifax	– 2

The Most Active Resale Markets

The hottest resale markets for 1994 will be Sherbrooke, Windsor, London, St. Catharines and Hamilton.

Of these markets, only Sherbrooke will experience a second consecutive year of increased resales. Consumer confidence is strong in this market on the heels of employment gains in 1993. Buyers there are also responding to high affordability.

London experienced strong growth in manufacturing jobs in 1993 and this is fueling consumer confidence. Employment growth will accelerate this year in Hamilton and Windsor. St. Catharines' housing markets, both new and existing, are benefitting from pent up demand.

Resales will decline fastest in Edmonton, Saskatoon, Saint John, Calgary and Halifax. The sharpest drop in resale activity will happen in Edmonton, where sales will fall almost 9 per cent. This centre had the highest resale volumes in 1991-92. The decline is partly cyclical, but will be deepened by lower consumer confidence and job cuts.

Resales in Saskatoon, Calgary, and Halifax, are also slipping after reaching peaks in the early 1990s. However, consumer confidence will sustain resales at a higher level. All these markets responded strongly to lower mortgage rates and CMHC first-time home buying incentives introduced in 1992.

The Saint John resale market is characterized as stable, and starts there are forecast to drop only 39 units, from 1,089 to 1,050.

Solid Gains in Montreal and Toronto

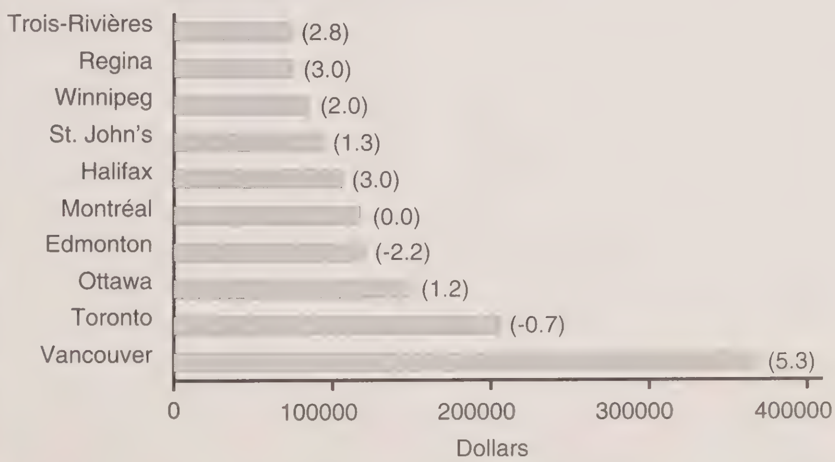
Both Montréal and Toronto will see resale volume increases of about 5 per cent in 1994 as homebuyers take advantage of plentiful listings, especially in Montréal. The rate of increase in sales is twice as high as average for all major centres but slower than other major central Canadian markets.

Average prices of single family resale homes are forecast to rise in nearly every centre in 1994. Only Edmonton, Toronto, and Charlottetown will see lower prices. In Toronto and Charlottetown, the price decline is because of the growing proportion of first-time buyers who are more inclined to buy modestly priced homes. Toronto's average resale single family house price will decline 0.7 per cent in 1994 to $205,000.

Vancouver's average single-family price will rise more than 5 per cent in 1994 to a record high of $368,000. However, this rate of increase is down from 17.7 per cent in 1993.

Trois-Rivières is still the least expensive major resale market with an average single family home price of $73,500. This is five times lower than Vancouver's average prices. ■

Resale Market Hottest in Vancouver
Forecast Average MLS Prices for Selected Centres — 1994
Percentage Change from Previous Year in ( )



SOURCES: CMHC and local real estate boards.

Narrow-Front Housing Projects as Affordability Solutions

by Dr. Avi Friedman

In recent years the Grow Home has attracted a great deal of interest and attention in the housing industry. This article highlights the result of a study of 19 housing projects built around the grow home concept. Canadian Housing Markets is thankful to Dr. Avi Friedman, Assistant Professor and Director of the Affordable Homes Masters of Architecture Program at McGill University in Montréal for the article.

In response to the current affordable housing challenges of urban areas, a team of researchers from the Affordable Homes Program at McGill University developed the Grow Home. This is a livable, compact row house, 4.3 metres wide with 93 square metres of living space.

Within six months of completing a full scale prototype on the McGill University campus in Montréal, a Montréal developer undertook the first housing project based on the Grow Home concept. He sold all 87 units of the project before any ground was even broken. Over 668 units in 19 projects were then built within the first 10 months following the initial project. These ranged in price from $69,000 to $95,000, and several new projects have since been built in Quebec and 3 other provinces.

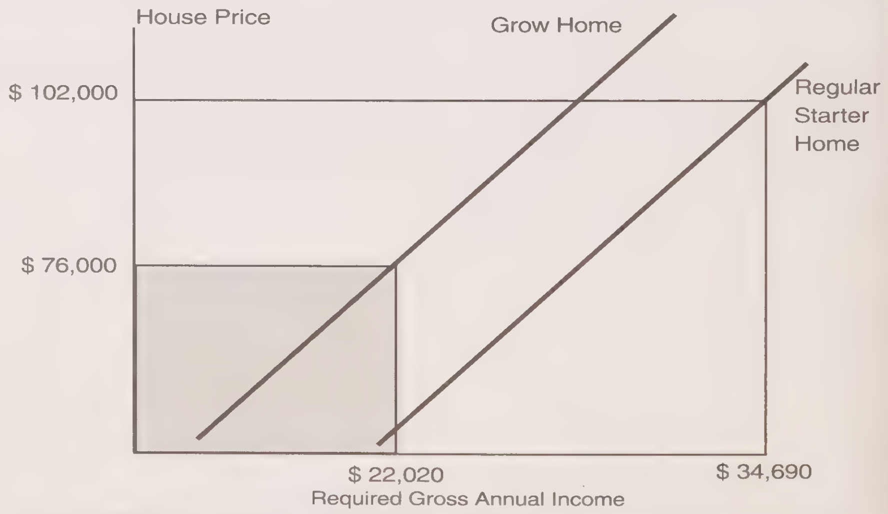
The proliferation of projects in and around Montreal created an opportunity to evaluate the occupied projects sociologically, architecturally and financially. Seven housing projects were selected, and questionnaires were distributed to the occupants to assess their demographic makeup, house shopping and buying experience, buyer preferences, occupant satisfaction, level of improvement over previous dwelling, and the adjustments that were required after the move-in date.

The study found that the projects attracted the demographic group for which they were intended, although the household incomes were higher than anticipated. The majority of respondents (67.5 per cent) claimed annual household increases greater than $40,000. The recent shift in the social and demographic profile of the average homebuyers has resulted in more buyer types (e.g. single parents, smaller families, childless couples) with different housing needs. The compact size of the Grow Home was as attractive as its low cost. A new housing product, small in size and low in maintenance, translates into savings in time and money for its new owners: a high priority for those with busy, demanding lifestyles.

Affordability nevertheless continues to be a key consideration in the buying experience of Grow Home owners. Figure 1 demonstrates just how low a gross annual income is required to purchase one of those housing units. A Grow Home with a cost of $76,000, combined with a $1,000 annual municipal tax credit, for example, can be financed by a person or family with an annual income of just over $23,000, assuming an 8.5 per cent mortgage. A more expensive version of the house, at a price of $86,720, is affordable to households earning just over $26,000.

The survey also compared the ownership expenses of new home owners with their previous expenses as renters to show how much more they were willing to pay for owning a home. While all buyers could afford their new ownership costs, their payments increased an average of about $200 when they purchased a home. Figure 2 shows how a household with an income of just over $38,000 is willing to buy an affordable home when the difference between rent and monthly ownership costs is only $181. Similarly, a household earning $50,000 adjusts to the shift from tenant to owner with an increase in monthly expenses of $227.

Figure 1 — Affordability Comparison



Note: *Based on total carrying costs, including capital, interest, property tax and heating. An 8.5 per cent interest rate was used. Annual property taxes and heating costs for the grow home were estimated at $1,115 and $240, respectively for 1993. Property taxes and heating costs for the average Montréal starter home were estimated by CMHC at $1,900 and $1,220 in 1993. A $1,000 annual Montréal municipal grant offered for first homeownership in the first three years was taken into account in these calculations.*

Figure 2 — Median Incomes and Monthly Carrying Costs — (Rental vs. Ownership)

Project	1	2	3	4	5	6	7	Total
Average Annual Household Income	$45,000	$38,125	$49,575	$45,000	$50,000	$44,500	$42,916	$45,818
Average Monthly Expenses as Tenants	554	573	542	502	543	558	495	538
Average Monthly Expenses as Owners	710	754	860	980	770	738	760	796
Percentage of Income allocated to housing in current dwelling	18.9%	23.7%	20.8%	26.1%	18.5%	19.9%	21.2%	20.8%

Both increases were found to be affordable.

Surprisingly, the majority of buyers (59.5 per cent) were not actively looking to buy a house at the time of purchase (Figure 3). Close to one-third (29.4 per cent) visited no project other than the one they decided to purchase, and 61.3 per cent looked no further after seeing their eventual home. Short shopping periods and quick decisions to buy (many purchased without seeing a finished unit) suggest the projects fill a market void and represent a unique opportunity for most of the buyers, an exceptional bargain not to be passed up.

The experience with the Grow Home projects has indicated that affordable housing market can be achieved by the housing product itself. The notion that housing costs can be reduced only by addressing external macroeconomic factors, like interest rates, and that labour and material costs play an insignificant role in housing prices is not necessarily valid.

. . . affordable housing market can be achieved by the housing product itself.

Housing prices were lowered in the Grow Home projects by reducing construction costs and by using land efficiently, especially in urban areas where land costs are a major consideration. Also, housing types which recognize the changing needs and lifestyles of prospective buyers represent a higher degree of desirability and have a greater chance of acceptance in today's challenging market. ■

Figure 3 — Buyer's Shopping Experience
(percentage of respondents)

Shopping Period	(%)	Decision to Purchase	(%)
Not looking	59.5	Immediate	39.3
Up to 6 months	25.6	1 or 2 weeks	44.9
7 to 12 months	7.2	3 or 4 weeks	9.2
13 to 24 months	4.1	5 or 6 weeks	4.6
More than 24 months	3.6	More than 6 weeks	2.0

Projects Visited other than the Grow Home	(%)	Projects Visited after Grow Home	(%)
None	29.4	None	61.3
1 to 3	41.7	1 to 3	34.0
4 to 6	11.3	4 to 6	3.2
7 to 9	7.2	7 to 9	0.5
10 to 12	4.7	10 to 12	0.0
More than 12	5.7	More than 12	1.0

This article summarizes the detailed findings of a report entitled "Evaluation of Affordable Housing Projects Based on the Grow Home Concept," by Dr. Avi Friedman and Mr. Vince Cammalleri, McGill School of Architecture, Affordable Homes Program (167 pp., 36 tables, 17 illustrations).

For further information contact the author at 815 Sherbrooke Street West, Montréal, QC, Canada H3A 2K6 or call (514) 398-4923.

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment:

Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:

Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:

The single new house price is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):

The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:

The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit Structures Vacancy Rate:

The three-unit structure vacancy rate is the overall private market vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

Modest Employment Growth in Most Centres

Employment will grow in most markets in 1994 with 22 of 27 centres forecast to see a net gain in jobs. However, the overall rate of growth will be modest at about 1 per cent.

In central Canada, most of the growth in Ontario and Quebec will occur in the 14 major markets outside Toronto and Montréal. The rate of employment expansion in these centres will be twice the average at about 2 per cent. As a result, housing demand will be strong in most central Canadian markets. Only St. Catharines, Chicoutimi-Jonquière and Québec will see a decline in jobs.

By contrast, Montréal and Toronto will see only a 0.7 per cent and 0.5 per cent growth rate respectively. The increase for Toronto, although weak, will be the first annual increase in employment in that centre since 1989.

As shown in the Summary of Employment Forecasts, the majority of centres will continue to recover some or all jobs lost during the last recession. Eight centres, Sudbury, Oshawa, London, Kitchener, Victoria, Saskatoon, Trois-Rivières and Calgary, are forecast to have fully recovered by 1994. This edition of Canadian Housing Markets marks the first time that Trois-Rivières and Calgary are included among the fully recovered markets. Hull is shown as fully recovered because of a higher level of employment in wood industries boosting economic activity in that area.

Twelve markets are seen as recovering, although they remain below their pre-recession level of employment. Charlottetown continues to show no major recovery following the loss of jobs experienced in 1991. Three markets will continue declining in 1994.

Overall, job creation in Canada's major centres in 1994 will be constrained by the slow pace of economic growth. CMHC forecasts only moderate market growth until job creation picks up. The one exception is in central Canada, where employment growth in most major centres outside Montréal and Toronto will give housing markets a boost. ■

Summary of Employment Forecasts by Stage in Cycle

Did not experience downturn	Recovered to pre-recession level	Recovering but employment below pre-recession level	Stable	Continued decline	Stable during recession but forecast to decline
Vancouver*	Sudbury	St. John's	Charlottetown	St. Catharines	Edmonton
Saint John	Oshawa	Halifax		Québec	
	London	Sherbrooke		Chicoutimi	
	Kitchener	Montréal			
	Victoria	Ottawa			
	Saskatoon	Toronto			
	Trois-Rivières	Hamilton			
	Calgary	Windsor			
	Hull	Thunder Bay			
		Winnipeg			
		Regina			

**Vancouver did not experience the recession in 1991-92 but employment there dipped slightly in 1993.*
SOURCE: CMHC forecast.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

Enquiries regarding subscriptions should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9. Tel.: (819) 956-4802; Fax: (819) 994-1498.

Annual subscription (4 issues) $44 + GST
Catalogue No. NH12-7E
Single issue $11 + GST
Catalogue No. NH12-7-1994-2E.

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*
Numéro de catalogue NH12-7-1994-2F.

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ISSN 1188-4487
Printed in Canada

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Contributors to Canadian Housing Markets include Greg Goy, Dan Guerrette, Kirk Duerden, Bruno Duhamel and all local market analysts. Production of the report is handled by Wally Nickerson, Michèle Boutin, Sylvie Mathurin, Bernie Schroeder and Debbie Galipeau in the Market Analysis Centre.

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre — Third Quarter 1994

Affordability Rides Mortgage Rate Roller Coaster

Roller coaster like movements in mortgage rates made affordability highly volatile in the first half of 1994. Record low mortgage rates in the first quarter helped boost affordability to the highest level in years. However, since March, average three-year rates have jumped nearly 4 percentage points, from a low of 6.5 per cent to a high of 10.375 per cent by the end of June. This is the fastest four-month increase in the three-year rate since it was widely introduced in 1980.

As a result of this sharp rise in mortgage rates, most of the affordability gains made in the last four years have been lost in the four months between March and June. This special feature of *Canadian Housing Markets* highlights the volatile affordability situation at different points during the first half of the year. This article also looks at how rates affect: first-time buying; the average affordability picture for the first half of the year; and the outlook for the rest of the year.

The chart "Rates and Potential First-Time Buyers" shows the percentage of renters who can buy a starter home at different mortgage rates for four centres (Halifax, Montreal, Toronto, and Vancouver) and all major urban areas combined. It describes how affordability changes at different mortgage rates leaving all other factors (income, prices, heating and property taxes) constant. For all major centres combined, the percentage of renters who could buy peaked at 41.3 per cent in January, 1994 when the average three-year rate fell to 6.5 per cent. By the end of June, the proportion of potential buyers among renters had fallen to 26.6 per cent as the three-year rate rose to 10.375 per cent.

First-Time Buyers Rush to Beat Rate Hikes

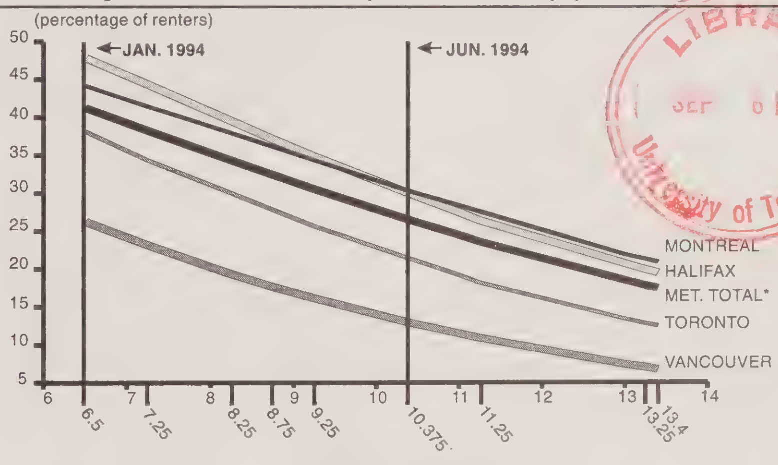
Despite the surge in mortgage rates, first-time buying boomed in the first half of 1994 as buyers rushed into the market before rates could climb higher still. In the first half of 1994, approvals under CMHC's First Home Loan Insurance (FHLI), or Five Per Cent Down program, were up 68 per cent over the same period last year. A significant part of this buying spurt was due to 'rate watchers' jumping in the market as mortgage rates began to increase.

As the mortgage rate roller coaster began to climb in March, a record 15,500 FHLI approvals were made. However, the growth of first-time buying did slow as rates rose. In February 1994, there were over twice as many FHLI approvals than in February 1993. By June 1994, buying was still up, but surging mortgage rates had reduced the growth of FHLI participants to only 30 per cent over the previous June.

Another indicator of affordability, the share of single-detached homes bought by

continued on next page

Rates and Potential First-Time Buyers
The Percentage of Renters Who Can Buy at Selected Mortgage Rates



	6.5	7.25	8.25	8.75	9.25	10.375	11.0	11.25	13.0	13.25	13.4
Halifax	47.9	44.4	39.6	37.2	34.9	30.1	27.5	26.4	20.7	19.9	19.5
Montreal	44.2	41.5	38.0	36.2	34.4	30.4	28.4	27.6	21.9	21.3	20.9
Toronto	38.2	34.4	30.1	27.9	25.7	21.5	19.2	18.2	13.4	12.8	12.5
Vancouver	26.3	23.2	19.4	17.7	16.2	13.0	11.5	10.9	7.4	7.0	6.7
Met. Total*	41.3	38.3	34.4	32.5	30.6	26.6	24.5	23.6	18.5	17.8	17.5

* *Met. Total refers to all CMAs plus Charlottetown.*

SOURCE: CMHC.

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first-time buyers, remained fairly stable over the first two quarters of 1994. However, the full effect of the increasing rates on sales will not be felt until the second half of the year. One reason for the delay is the use of pre-approved mortgages, which protect buyers from rising rates while looking for a home. Pre-approvals allowed loans negotiated at the lower rates of previous months to be translated into sales a few months later.

The effects of climbing rates on mortgage costs vary across Canadian markets. In higher priced centres, where mortgages are larger, the rates will have a greater impact on financing costs. In Vancouver, for example, the monthly payment on a mortgage of $177,116 (which corresponds to the average starter home price of $193,495) jumped $443, from $1,186 early in March to $1,629 by the end of June. Over the same period, in Montreal, the monthly payment for a $94,916 mortgage ($102,890 house price) rose $237, from $636 to $873.

In Toronto and other Southern Ontario centres, it would take big rate hikes to wipe out the large gains made in affordability since 1990. This is because of the significant price declines seen in recent years. For instance, if mortgage rates hit 13.4 per cent — the highest annual average three-year rate since 1982 — and all other factors remained constant, almost twice as many Toronto renters (12.5 per cent) could afford to buy an average priced starter home now than in 1989. In that year, just over 6 per cent of renters could afford the average priced starter home of $197,700. The Toronto starter home price has since dropped to $168,350 in the first half of 1994.

First Half Average Affordability Up Slightly Over 1993

While the run up in mortgage rates brought affordability down by June, the average affordability picture for the first half was up slightly from the same period a year ago. Using an average three-year mortgage rate of 7.6 per cent for the first half of 1994, the percentage of renters who could buy in all centres eased up to 36.9 per cent from 34.8 per cent a year ago. The share of renters who could buy increased in 25 of 27 centres since the first half of 1993. Slow house price growth in most centres, combined with lower average mortgage rates, contributed to the rise in affordability in the first half.

Affordability Losses To Ease Over the Rest of The Year

Mortgage rate increases are expected to moderate during the rest of 1994, and this should limit further declines in affordability. By the end of June, we were still well above the 1990 affordability low when 18.1 per cent of renters could afford to buy. Affordability is expected to stay above the 1990 low for the rest of the year. The three-year rate would have to rise to between 13 and 13.25 per cent before affordability drops to 1990 levels. ■

The Percentage of Renters Who Can Afford to Buy a Starter Home

(Ranked Highest to Lowest Based on Jan-Jun 1994)

CENSUS METROPOLITAN AREAS (CMA)	TOTAL JAN-JUN 1994	TOTAL JAN-JUN 1993*	FAMILY JAN-JUN 1994	FAMILY JAN-JUN 1993*	NON-FAMILY JAN-JUN 1994	NON-FAMILY JAN-JUN 1993*
St. John's	54.3	51.4	54.2	51.4	53.8	50.8
Chicoutimi-Jonquière	52.1	50.6	54.6	53.2	44.0	42.6
Thunder Bay	51.9	49.6	58.1	56.1	40.6	37.8
Windsor	48.7	48.6	53.4	53.3	41.5	41.4
Saskatoon	46.8	47.6	51.2	51.9	42.0	42.8
Winnipeg	45.3	44.4	51.6	50.7	38.0	37.0
Regina	45.1	43.7	48.8	47.3	40.9	39.5
Charlottetown	44.8	42.5	50.3	47.7	38.8	36.7
Halifax	42.8	39.4	48.4	44.9	33.8	30.6
Saint John	42.7	40.7	44.6	42.5	37.3	35.4
Calgary	42.5	40.6	49.0	47.1	34.8	33.0
Québec	42.3	43.0	51.0	51.6	29.7	30.4
Oshawa	41.8	38.3	46.4	42.7	30.5	27.5
Trois-Rivières	41.7	39.8	47.8	45.9	31.3	29.5
Hull	40.9	39.5	45.9	44.4	31.1	29.8
London	40.4	39.2	48.3	47.1	30.4	29.4
Edmonton	40.3	40.1	47.2	47.0	31.1	30.9
Montreal	40.3	37.2	48.9	45.7	28.0	25.2
St. Catharines-Niagara	39.8	37.7	43.6	41.6	32.0	30.0
Sudbury	38.9	37.1	43.7	41.8	28.5	26.8
Kitchener	38.8	35.2	45.5	41.8	27.4	24.2
Sherbrooke	38.7	36.7	46.2	44.0	28.0	26.1
Ottawa	35.0	32.7	43.1	40.6	25.2	23.2
Hamilton	32.8	31.9	38.4	37.5	23.9	22.9
Toronto	32.8	29.5	39.8	35.9	23.0	20.5
Vancouver	21.9	20.8	29.3	28.0	14.6	13.7
Victoria	11.6	10.8	16.2	15.0	6.2	5.7
Metropolitan Area Total	36.9	34.8	44.2	41.9	26.9	25.1

Source: CMHC
** Revised in some areas since previous publication.*

New Homes Within Reach For Many First-time Buyers

Whether it's a single or apartment condominium, new housing is not out of reach for many first-time buyers. In every major centre, new homes were more affordable in the first half of 1994 than they were three years ago based on the average mortgage rate during this period — 7.6 per cent.

CMHC's new construction affordability indicator shows the percentage of new singles, semis, rows and apartments sold at prices within reach of potential first-time buyers (see the last column of the table Supply Affordable to Potential First-Time Buyers).

In most centres, apartments and townhouses are not the only options for first-time buyers looking for a new home. In 19 centres, over 50 per cent of the new singles and semis bought in the first half of the year were sold at affordable prices.

The number of new homes approved under the FHLI plan has more than doubled in the first half of this year compared to the same period a year ago. Across all centres, more than half of the new FHLI approvals in the first six months of 1994 were singles. However, in the high cost centres of Vancouver and Victoria, apartment condominiums are the most affordable type of new home.

In Toronto, smaller sizes and falling prices boosted the percentage of affordable new homes sold to 45.7 per cent in the first half of 1994 — nearly five times its 1991 level. In Vancouver and Victoria, there was also an increase since 1991 in the share of new homes sold at affordable prices. This was due to the rise of multiples construction geared to first-time buyers and lower average mortgage rates in the first half of the year compared to 1991. In Montreal, the most affordable of the largest centres, 82.6 per cent of new construction is within reach of potential first-time buyers.

Quebec and Atlantic centres tended to be the most affordable in the nation. In Chicoutimi and St. John's, 95 per cent of the new homes sold in the *continued on page 8*

What types of new homes are first-timers buying?

New homes insured under the First Home Loan Insurance Plan — January to June 1994

	As a percentage of total new home FHLI approvals					
	Singles	Semis	Rows	Apartments	Mobiles	Total
Halifax	41.7	46.8	2.2	0.0	9.4	278
Montreal	61.1	14.5	15.8	8.6	0.0	2,668
Toronto	52.2	15.6	24.8	7.3	0.0	1,407
Edmonton	56.5	1.8	18.0	21.6	2.0	499
Vancouver	1.7	0.2	17.4	80.6	0.0	1,032
Met. Total	52.2	13.7	18.2	15.2	0.7	9,135

Source: CMHC

Resale Markets Offer Wide Selection

First-time buyers looking for a resale home had a wide selection to choose from in most markets. In 19 of 23 centres, over half of the resale listings were affordable to potential first-time buyers based on the average mortgage rate during the first half of 1994 — 7.6 per cent. Only in Victoria (13.4 per cent), Vancouver (31.6), Ottawa (39.8) and Sudbury (47.7) were affordable listings less than one half of the market. For all 23 centres combined, 59 per cent of the resale market was affordable in the first half of 1994.

The number of resale homes bought under the FHLI plan increased by over 60 per cent in the first half of 1994 compared to the same period last year. Record low mortgage rates early in the year helped widen the selection for first time buyers looking for resale homes.

Since last June, the share of affordable listings rose the most in St. Catharines, Calgary, Trois-Rivières, Hamilton and Hull. In St. Catharines and Trois-Rivières, overall listings fell over the last year but what was put on the market was more affordable. The result was a big increase in the share of lower priced listings. First-home buyers saw their choice *continued on page 8*

What types of existing homes are first-timers buying?

Existing homes insured under the First Home Loan Insurance Plan — January to June 1994

	As a percentage of total existing home FHLI approvals					
	Singles	Semis	Rows	Apartments	Mobiles	Total
Halifax	77.0	18.6	2.5	1.4	0.5	880
Montreal	85.4	6.1	3.3	4.9	0.2	4,583
Toronto	57.5	15.1	13.3	14.1	0.0	6,421
Edmonton	61.2	2.2	29.9	5.9	0.8	2,185
Vancouver	37.2	0.5	19.3	42.8	0.1	2,387
Met. Total	70.8	8.7	11.1	8.8	0.6	32,164

Source: CMHC

Biggest Changes in Affordability

The Percentage of Listings Affordable June 1994 vs June 1993

	Percentage point change in affordability		Percentage point change in affordability
UP		DOWN	
St. Catharines	20.5	Sudbury	–17.5
Calgary	14.4	Ottawa	–10.5
Trois-Rivières	13.9	Windsor	–3.5
Hamilton	11.0	Halifax	–2.2
Hull	9.1	London	–1.3

Source: CMHC calculations based on local Real Estate Board data.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1994 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Family	47,022	161,137	19.1	Condo Apartment	41.1
	Non Family	37,722	123,792	6.2	Condo Apartment	12.0
	Total	43,330	146,312	13.4	Condo Apartment	36.0
Vancouver	Family	61,608	226,697	36.0	New Townhouse, Older‡ Bungalow	49.8
	Non Family	51,318	181,242	27.7	Newer† Condo Apt.	35.9
	Total	56,710	205,062	31.6	Older‡ Townhouse; New Condo Apt.	43.4
Edmonton	Family	48,098	157,622	N/A	N/A	68.3
	Non Family	40,374	126,605	N/A	N/A	40.9
	Total	44,941	144,944	N/A	N/A	58.1
Calgary	Family	50,945	180,670	79.0	New 2 Storey	70.3
	Non Family	43,735	151,657	64.4	New Semi or Row Condo	45.4
	Total	47,749	167,777	72.6	2 Storey; Split Level	60.1
Saskatoon	Family	45,892	156,480	89.2	Bungalow; Split Level	84.2
	Non Family	40,016	132,884	83.6	Bungalow; Split Level	65.8
	Total	43,126	145,374	87.6	Bungalow; Split Level	74.7
Regina	Family	43,446	141,263	87.7	Bungalow	48.2
	Non Family	37,836	118,735	80.7	Bungalow	23.7
	Total	40,762	130,481	84.8	Bungalow	34.2
Winnipeg	Family	48,231	155,782	86.9	Bungalow	75.7
	Non Family	40,922	126,434	77.7	Bungalow	48.0
	Total	44,982	142,735	83.6	Bungalow	64.6
Thunder Bay	Family	56,622	201,221	84.0	Split-Level; Large 2 storey	89.5
	Non Family	48,450	166,474	72.5	Newer bungalow	43.8
	Total	53,741	188,494	79.6	Newer bungalow; Small 2 Storey	69.5
Sudbury	Family	48,344	163,928	55.6	Standard 2 Storey	72.4
	Non Family	43,133	143,004	35.7	Large Split Entry; Split Level	55.7
	Total	46,794	157,704	47.7	Standard 2 Storey	68.8
Windsor	Family	59,109	196,746	77.8	Bungalow; 1 1/2 Storey	72.0
	Non Family	48,576	152,926	56.9	Bungalow; 1 1/2 Storey	38.2
	Total	54,983	178,654	71.2	Bungalow; 1 1/2 Storey	57.4
London	Family	55,842	183,104	70.5	Bungalow; Row Condo; Condo Apt.	75.3
	Non Family	45,272	140,374	50.9	Bungalow; Row Condo; Condo Apt.	43.6
	Total	51,505	165,403	62.7	Bungalow; Row Condo; Condo Apt.	64.2
Kitchener	Family	52,036	173,885	66.9	2 Storey, Bungalow	73.3
	Non Family	44,064	141,871	48.3	2 Storey, Condo Townhouse	26.7
	Total	49,202	162,507	62.2	2 Storey, Bungalow	49.2
St. Catharines-Niagara	Family	49,539	168,451	67.2	2 Storey, Bungalow	67.2
	Non Family	42,537	140,332	61.2	Split-Level, Bungalow	51.0
	Total	47,299	159,455	67.1	2 Storey, Bungalow	66.6
Hamilton	Family	52,081	173,902	64.8	All Types	50.1
	Non Family	42,330	134,746	38.1	1 1/2 Storey; Bungalow	5.5
	Total	48,348	158,911	55.0	2 Storey; Bungalow	22.0

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1994 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION %
Toronto	Family	65,383	224,203	N/A	N/A	51.9
	Non Family	56,788	186,236	N/A	N/A	37.2
	Total	62,111	209,748	N/A	N/A	45.7
Oshawa	Family	54,790	182,783	N/A	N/A	72.1
	Non Family	47,218	152,124	N/A	N/A	49.5
	Total	52,529	173,451	N/A	N/A	65.0
Ottawa	Family	56,928	183,447	53.2	Bungalow, 2 Storey	75.5
	Non Family	46,597	141,647	20.7	Condo Row; Condo Apt.	42.1
	Total	52,431	165,076	39.8	Bungalow; Condo Row	63.4
Hull	Family	46,064	144,647	80.8	Bungalow	83.3
	Non Family	39,444	118,062	71.9	Bungalow	56.3
	Total	44,024	136,456	78.1	Bungalow	75.9
Montreal	Family	51,209	165,746	73.5	All Types	85.5
	Non Family	41,345	126,135	51.3	All Types	64.3
	Total	47,596	151,238	67.9	All Types	82.6
Trois-Rivières	Family	41,508	132,398	83.0	Bungalow	96.0
	Non Family	35,286	107,414	66.3	Bungalow	89.0
	Total	39,471	124,221	77.9	Bungalow	94.0
Sherbrooke	Family	41,663	130,513	N/A	N/A	83.2
	Non Family	36,304	108,993	N/A	N/A	79.4
	Total	39,789	122,988	N/A	N/A	81.3
Québec	Family	45,861	140,281	82.0	All Types	84.8
	Non Family	38,703	111,536	63.0	All Types	70.1
	Total	43,332	130,126	77.0	All Types	82.1
Chicoutimi-Jonquière	Family	44,634	142,454	89.2	Standard Bungalow	96.5
	Non Family	39,433	121,569	81.3	Standard Bungalow	92.9
	Total	43,449	137,698	87.0	Standard Bungalow	95.3
Saint John	Family	42,421	141,763	84.0	Large 2 Storey	88.5
	Non Family	37,777	123,114	74.0	Split Entry	81.3
	Total	40,937	135,803	81.0	Modest 2 Storey	86.0
Halifax	Family	45,054	151,219	70.5	Single-Detached	87.4
	Non Family	40,744	133,912	57.8	Single-Detached	81.5
	Total	43,458	144,809	65.2	Single-Detached	85.8
St. John's	Family	53,935	170,844	91.6	Bungalow; 2 Storey	95.0
	Non Family	53,436	168,843	89.5	Bungalow; 2 Storey	92.5
	Total	53,785	170,244	91.6	Bungalow; 2 Storey	95.0
Charlottetown	Family	40,744	133,612	70.4	All Types	81.4
	Non Family	37,569	120,860	58.6	All Types but 2 Storey	61.0
	Total	39,763	129,671	67.5	All Types	66.1
Metropolitan Area Total	Family			65.1		62.6
	Non Family			47.9		42.3
	Total			59.3		54.8

* Calculated with a mortgage rate of 7.6 per cent.
** Percentage of new dwellings sold at or below the maximum affordable house price.
† Newer is five years old or less.
‡ Older is ten years old or more.
N/A is data not available from the local real estate board.

Sources: CMHC, local Real Estate Boards and Statistics Canada.

Improving Access to Homeownership

The surge in mortgage rates since March has made homeownership less attainable for many modest income renters. For example, the monthly mortgage payment on a $100,000 mortgage with a five-year term in January of this year was $715. By June, when mortgage interest rates increased to 10.75 per cent the monthly payment increased by $230 to $945. But government programs and innovative financing can offset increases due to higher rates and give more people a chance to enter the market.

This article looks at various such options. It discusses ways to make monthly payments easier, examines how two federal programs can help and, finally, highlights innovative tenure arrangements and partnerships.

Overall, the best way to reduce higher mortgage costs is to combine the benefits of two or more of these options, taking into account each of their advantages and disadvantages. With such a strategy, a buyer may not only cut down the higher carrying cost caused by this year's rate hikes, but in some cases eliminate them altogether.

Reducing Monthly Payments

Buyers who cannot afford the monthly payments might consider a shorter mortgage term. In fact, by taking a six-month term in June instead of a five-year term, 68 per cent of the interest related monthly payment increase from January to June can be offset. The monthly charge with a six month term in June at 8.38 per cent on a $100,000 mortgage was $787 which is $158 lower than with the five-year term.

However, this strategy may not be advisable for buyers who could not afford higher mortgage payments should rates go up at renewal six-months down the road.

Another option is to increase the amortization period beyond 25 years. The National Housing Act allows purchasers to amortize their mortgages up to 40 years. Increasing the amortization period from 25 to 40 years on a $100 000 mortgage with a five-year term at 10.75 per cent, reduces the monthly payments to $889, for a saving of $56. The increase in mortgage payments between January and June would have been $174 instead of $230.

A third option is to combine a longer amortization and a shorter term mortgage. In fact, this option totally offsets the mortgage rate increases that occurred between January and June. In January, before the recent round of rate hikes, the monthly payment on a $100,000 mortgage was $715. Someone borrowing at the end of June could attain virtually the same payment — $713 — if the mortgage were amortized over 40 years with a six-month term at 8.38 per cent.

Longer amortization periods and shorter terms, however, mean an increase in the interest cost over the life of the mortgage. A 40-year amortization with a six-month term, for example, hikes the total interest paid by $58,723, compared with what one would pay on a 25-year amortization with a five-year term. The buyer can offset this by accelerating payments at mortgage renewal if rates come down, or by making lump sum payments to reduce the mortgage outstanding.

Easing the Downpayment Burden

People who can afford monthly mortgage payments, but don't have the money for a 10 per cent downpayment can turn to CMHC's First Home Loan Insurance Program (FHLI) for assistance. This program allows buyers to enter the market with only half the usual downpayment — five per cent of the value of the home. However, in the long run, the total financing cost will be higher because of the larger mortgage.

First-time buyers with RRSPs can take advantage of a federal government provision allowing withdrawals of RRSP funds toward the purchase of a home. Program participants may put up to $20,000 of their RRSP holdings ($40,000 for a couple) as a source of funds for the down payment or to reduce the mortgage and subsequent monthly payments. However, the amount has to be repaid over 1-5 years.

The RRSP program can be used together with the FHLI program to combine the benefits of both. In fact, CMHC's customer profile shows that 25 per cent of buyers did just that in 1993. Overall, 75 per cent of all FHLI customers said they would not have bought without one or both options.

Innovative Tenure Arrangements and Partnerships

There are other options to improve access to homeownership for modest income earners. Shared equity arrangements provide another route toward homeownership. The purchaser shares future home equity gains with the vendor or with a non-profit agency in exchange for a lower purchase price. A variety of such projects — some co-ops, others freehold or condominium ownership units — have been tested in Edmonton, Vancouver and Toronto with good results.

One Toronto-area project by the Affordable Housing Action Association (AHAA) produced condominium townhouse units for moderate income buyers without government assistance. Buyers had the choice of paying market value or paying the building cost of the unit. With the latter option the purchaser agrees to share future equity appreciation with the vendor. Doing so reduced the cost of a typical unit by 5 to 10 per cent compared with the market price.

Shared equity arrangements are not for everyone. They are attractive to those who are willing to exchange future equity gains to buy sooner then otherwise possible.

Yet another option to ease mortgage payments is to buy a unit with an accessory apartment, or build one and rent it out. A 1992 CMHC research study in St. John's found that homeowners with accessory apartments offset an average of about half their mortgage payments through rental revenue. However, accessory apartments are illegal in some

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COSTS AND INCOMES FOR DEMAND AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE $		MONTHLY MORTGAGE COST $		ANNUAL TAXES $		ANNUAL HEATING COSTS $		MONTHLY TOTAL CARRYING COSTS $		INCOME REQUIRED TO CARRY MORTGAGE $	
	JAN-JUN 1994	JAN-JUN 1993	JAN-JUN 1994	JAN-JUN 1993	JAN-JUN 1994	JAN-JUN 1993†	JAN-JUN 1994	JAN-JUN 1993	JAN-JUN 1994	JAN-JUN 1993*	JAN-JUN 1994	JAN-JUN 1993*
Victoria	186,364	174,990	1,264	1,274	1,549	1,484	657	650	1,448	1,451	54,284	54,426
Vancouver	193,495	182,370	1,307	1,325	1,541	1,500	447	430	1,473	1,486	55,219	55,729
Edmonton	106,487	103,890	725	756	2,219	2,023	612	520	961	968	36,028	36,297
Calgary	121,725	118,640	829	863	1,303	1,300	607	520	988	1,015	37,039	38,065
Saskatoon	82,139	73,800	559	537	1,570	1,542	646	630	744	718	27,891	26,929
Regina	77,226	73,830	526	537	2,020	1,971	626	610	746	752	27,981	28,216
Winnipeg	81,245	78,120	553	569	2,230	2,181	790	780	805	815	30,175	30,572
Thunder Bay	113,156	109,860	770	800	1,331	1,300	907	890	957	982	35,877	36,826
Sudbury	110,159	106,640	750	776	1,571	1,534	836	820	950	972	35,640	36,458
Windsor	107,374	101,010	731	735	1,991	1,956	610	580	948	946	35,535	35,494
London	124,668	120,220	849	875	1,636	1,550	662	630	1,040	1,057	39,003	39,622
Kitchener	131,057	127,860	892	931	2,122	2,107	673	640	1,125	1,159	42,186	43,478
St. Catharines-Niagara	110,510	108,770	752	792	1,852	1,800	577	570	955	989	35,799	37,092
Hamilton	139,359	133,230	949	970	2,157	2,100	651	620	1,183	1,196	44,346	44,859
Toronto	168,350	168,350	1,146	1,225	2,749	2,670	628	620	1,427	1,499	53,523	56,225
Oshawa	138,995	136,270	946	992	2,380	2,322	608	600	1,195	1,235	44,814	46,319
Ottawa	139,903	137,160	952	998	2,935	2,795	689	680	1,254	1,288	47,034	48,292
Hull	98,116	94,890	668	691	1,941	1,900	1,273	1,250	936	953	35,088	35,742
Montreal	102,890	102,890	700	749	1,937	1,900	1,242	1,220	965	1,009	36,197	37,828
Trois-Rivières	71,995	71,780	490	522	1,409	1,398	1,323	1,300	718	747	26,914	28,022
Sherbrooke	78,423	78,010	534	568	1,579	1,570	1,353	1,330	778	809	29,180	30,350
Quebec	86,378	82,500	588	600	2,144	2,111	1,353	1,330	879	887	32,976	33,267
Chicoutimi-Jonquière	70,238	69,200	478	504	1,527	1,515	1,404	1,380	722	745	27,088	27,932
Saint John	79,057	78,120	538	569	1,113	1,089	1,165	1,150	728	755	27,298	28,315
Halifax	105,054	104,220	715	758	1,367	1,323	1,000	1,000	912	952	34,212	35,702
St. John's	91,820	91,820	625	668	1,095	1,088	1,189	1,190	815	858	30,574	32,178
Charlottetown	75,370	75,370	513	549	1,358	1,271	1,033	1,020	712	739	26,710	27,729

Sources: CMHC and Natural Resources Canada.
Note that the taxes do not include any rebates.
† Revised due to improved data.
** Revised figures in some areas since last publication.*

New Homes Within Reach . . .

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first half of 1994 went for prices first-time buyers could afford.

The least affordable places for new housing in the country were Hamilton, Regina, Victoria and Vancouver. In Hamilton, 22 per cent of new housing was sold at affordable prices and in Regina the figure was 34.2 per cent. Most of the new homes sold in these markets in the first half of the year were singles targeted to move-up buyers.

In Vancouver and Victoria, land constraints and strong demand have kept prices for singles and semis high. In both centres, apartments and townhomes are the popular choices for new starter homes. However, in Toronto and Montreal, more than one half of the new houses approved under FHLI were singles. ■

Resale Markets Offer Wide . . .

continued from page 3

widen greatly in Hamilton and Hull as many more affordable houses were put up for resale. In Calgary, the share of affordable resales climbed nearly 15 percentage points since last June.

The share of affordable existing homes on the market fell in only six centres over the last year; Sudbury, Ottawa, Windsor, Halifax, St. John's and London. In Sudbury and Ottawa there was a significant drop in both overall and affordable resale listings in the last year. Total listings also fell in Windsor and St. John's but the share of potential starter homes slipped by just 3.5 and 0.5 per cent. In Halifax and London, choice actually improved for first-time buyers, it is only because total listings have risen faster than affordable listings that the supply indicator has fallen. ■

DEFINITIONS

DEMAND AFFORDABILITY INDICATOR

Per Cent of Renters Who Can Afford:
This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:
The average starter house price is defined as the average price for an NHA insured existing home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period. This price excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are CMHC estimates.

Heating Costs:
Average heating costs representative of a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs:
Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:
The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization period. An average mortgage rate of 8.4 per cent was used for the first half of 1993 and a rate of 7.6 per cent was used for the first half of 1994.

SUPPLY INDICATORS

Renter Household Types:
Renter households aged 20-44 who have the potential to become home owners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicators.

Maximum Affordable House:
Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 8.0 per cent is used and a 10 per cent down payment is assumed.

Resale Supply Available:
The per cent of MLS active listings at or below the maximum affordable house price.

Most Prevalent Resale House Types:
The house types most often listed in the supply of active MLS listings. The house types are not exclusive of other house types that could also be included in the supply available.

Affordable New Construction:
The per cent of new single, semi, apartment or row dwellings sold at or below the maximum affordable house price.

Improving Access to Homeownership

continued from page 6

municipalities, and in markets with high vacancy rates the accessory unit may be hard to rent. What's more, becoming a landlord means some loss of privacy and added responsibilities. Not everyone has the knowledge and or the time required.

As it was pointed out in this article, modest income households have many options to help them overcome higher interest rates. By understanding and nurturing these options, the Canadian housing industry can adapt to changing mortgage market conditions.

CMHC's Public Private Partnership Centre helps firms and non-profit groups develop innovative, affordable housing projects, including shared equity, co-operative and life tenancy projects. The Centre facilitates information sharing, arranges insured mortgages, and brings various sectors together to launch initiatives.■

For more information on CMHC's Partnership Centre or to receive its newsletter, call (613) 748-2399 or fax (613) 748-2400.

**Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre,
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**Enquiries regarding subscriptions should be directed to: Canada Communication Group — Publishing, Ottawa, Canada K1A 0S9.
Tel.: (819) 956-4802;
Fax: (819) 994-1498.**

**Annual subscription (4 issues) $44 + GST
Catalogue No. NH12-7E
Single issue $11 + GST
Catalogue No. NH12-7-1994-3E.**

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue NH12-7-1994-3F.

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**ISSN 1188-4487
Printed in Canada**

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MARKETS

CMHC Market Analysis Centre — Fourth Quarter 1994

Outlook Bright for Ontario Centres in 1995

SEP 27 1995
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FORECAST HIGHLIGHTS

- ***Housing markets will be strong in many southern Ontario markets***
- ***Toronto's recovery will lag others***
- ***The Montreal market will remain oversupplied***
- ***Resales will pick up in Vancouver***
- ***Employment will grow in all 27 centres. Southern Ontario centres (other than Toronto) to see gains of more than 2 per cent***
- ***For all centres combined, starts and resale levels will be about the same in 1995 as for 1994***

Major urban centres in southern Ontario will lead Canada's housing recovery in 1995, outperforming most other large centres throughout the country, according to CMHC's local forecasts. The greatest upturn in housing markets will occur in Windsor, London, Kitchener and Hamilton.

As for housing starts Windsor and London will see activity surge by 23 and 28 per cent respectively, while Kitchener will enjoy a 16 per cent jump in starts. Kitchener will also be one of Canada's top five centres for resale increases in 1995, as will Hamilton.

The housing starts forecast shows that two other markets — Thunder Bay and Regina — will post strong growth next year, with gains of more than 30 per cent. In fact, both of these markets will rebound in 1995, after a starts decline in 1994.

Despite these gains, the new-home market for all major urban centres combined is expected to slip in 1995 by 0.6 per cent compared to 1994. The decline will be due to fewer starts in 11 of 27 centres. In Vancouver and Victoria, starts will fall 5 per cent in 1995, after 1994 declines of close to 15 per cent in Vancouver and 7 per cent in Victoria.

The projected 0.6 per cent decline in starts across major markets differs from the overall national forecast, which covers both urban and rural areas and calls for an increase of 1 per cent. The growth will be driven mainly by an upturn in smaller urban and rural centres. (See CMHC's National Housing Outlook for more information on the national forecast.)

As for resales, activity will increase in 18 of the 27 major markets in Canada during 1995. Ontario will post some of the largest gains, with St. Catharines, Hamilton, Kitchener and Sudbury leading the way. Calgary will also see significant growth with the second biggest increase in Canada next year.

Resales will drop, however, in 8 of the 27 major centres. The weaker markets will be well distributed across the country and include Toronto, Trois-Rivières, Chicoutimi, Saskatoon and Sherbrooke.

The overall outlook for urban resale markets in 1995 shows very moderate growth of 0.1 per cent on average. Some interesting gains will be seen on both the west and east coasts. In Vancouver and Victoria, resale activity will grow by 4 and 3 per cent respectively, while centres in Atlantic Canada will see sales jumps averaging 3 per cent.

Average prices will rise for new single family homes in 19 of the 27 major markets and for resale homes in 23 major markets. Increases in many centres will be the result of move-up buyers slowly returning into the market.

Many of the gains in both new-home and resale markets in the coming year will reflect stronger *continued on page 4*

Highlights of 1995 Forecast

Percentage Change in Annual Starts: 1994-1995

Top Five	%	Bottom Five	%
Thunder Bay	42	Edmonton	-14
Regina	31	Sherbrooke	-9
London	28	Chicoutimi	-7
Windsor	23	Oshawa	-6
Kitchener	16	Vancouver	-5

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1993	129,400		2,633		269,900		7,344		246,700		2.1	1.8
	1994**	134,600	4.0	2,455	-6.8	292,000	8.2	7,200	-2.0	256,000	3.8	3.0	1.9
	1995**	138,000	2.5	2,320	-5.5	288,000	-1.4	7,400	2.8	263,700	3.0	2.6	1.8
Vancouver	1993	816,200¶		21,307		444,340		31,150		349,601		2.0	1.1
	1994**	839,000	2.8	18,200	-14.6	495,000	11.4	30,300	-2.7	380,000	8.7	1.4	0.8
	1995**	859,000	2.4	17,200	-5.5	525,000	6.1	31,600	4.3	390,000	2.6	1.0	0.5
Edmonton	1993	366,000¶		6,720		170,653		11,489		122,701		5.5	6.5
	1994**	373,000	1.9	4,900	-27.1	164,000	-3.9	9,600	-16.4	122,000	-0.6	9.1	8.9
	1995**	378,000	1.3	4,200	-14.3	162,000	-1.2	9,200	-4.2	119,000	-2.5	10.1	8.8
Calgary	1993	361,500		6,629		176,365¶		17,001		131,936		7.0	5.9
	1994**	367,000	1.5	6,700	1.1	175,000	-0.8	16,200	-4.7	133,500	1.2	6.3	5.1
	1995**	372,000	1.4	6,800	1.5	178,000	1.7	17,500	8.0	136,000	1.9	4.6	4.5
Saskatoon	1993	84,500		593		137,606		2,750		78,993†		6.7	2.7
	1994**	86,000	1.8	625	5.4	142,000	3.2	2,800	1.8	81,500†	3.2	4.0	1.8
	1995**	87,700	2.0	625	0.0	146,500	3.2	2,650	-5.4	84,000†	3.1	3.3	2.0
Regina	1993	88,600¶		563		147,262		2,690		72,781†		4.6	3.6
	1994**	87,000	-1.8	440	-21.8	147,000	-0.2	2,900	7.8	74,500†	2.4	4.1	3.2
	1995**	88,000	1.1	575	30.7	148,000	0.7	3,000	3.4	76,000†	2.0	4.0	3.3
Winnipeg	1993	299,500¶		1,540		137,810		9,604		83,060		5.7	5.9
	1994**	304,000	1.5	1,800	16.9	139,880	1.5	10,150	5.7	85,550	3.0	5.4	5.6
	1995**	309,000	1.6	1,925	6.9	142,680	2.0	10,000	-1.5	88,330	3.2	5.0	5.2
Thunder Bay	1993	57,700		537¶		176,747		1,455		114,964		3.2	2.7
	1994**	56,800	-1.6	464	-13.6	170,682	-3.4	1,484	2.0	117,839	2.5	4.4	4.1
	1995**	57,100	0.5	658	41.8	170,682	0.0	1,543	4.0	121,374	3.0	4.5	4.2
Sudbury	1993	68,900		715		161,049¶		1,877		113,869¶		5.1	3.8
	1994**	69,000	0.1	800	11.9	161,500	0.3	1,900	1.2	113,500	-0.3	5.1	4.3
	1995**	70,000	1.4	875	9.4	162,000	0.3	2,000	5.3	114,000	0.4	5.5	4.5
Windsor	1993	116,600		1,222		190,608		4,545		109,214		3.0	2.7
	1994**	121,300	4.0	1,725	41.2	187,000	-1.9	5,225	15.0	117,000	7.1	2.6	1.6
	1995**	125,500	3.5	2,125	23.2	192,000	2.7	5,300	1.4	121,000	3.4	1.3	0.7
London	1993	174,200		2,522		226,382		5,802		133,835		3.9	3.8
	1994**	176,700	1.4	2,075	-17.7	199,500	-11.9	5,900	1.7	135,500	1.2	4.7	4.1
	1995**	180,700	2.3	2,650	27.7	209,000	4.8	6,000	1.7	138,900	2.5	4.0	3.7
Kitchener	1993	195,300		1,705		179,110		3,583		138,741		5.3	4.3
	1994**	201,500	3.2	1,700	-0.3	177,000	-1.2	3,750	4.7	142,000	2.3	4.2	2.8
	1995**	206,500	2.5	1,970	15.9	184,000	4.0	4,000	6.7	146,000	2.8	2.8	2.6
St. Catharines-	1993	138,700		1,015		177,662¶		2,308		124,665		5.3	4.9
Niagara	1994**	145,200	4.7	1,610	58.6	169,750	-4.5	2,620	13.5	126,850	1.8	6.0	5.8
	1995**	148,300	2.1	1,575	-2.2	165,000	-2.8	2,850	8.8	128,120	1.0	5.3	4.7
Hamilton	1993	290,000		2,989		221,015		7,747		143,432		2.8	2.7
	1994**	307,000	5.9	3,100	3.7	198,000	-10.4	8,400	8.4	147,000	2.5	2.7	2.4
	1995**	315,000	2.6	3,200	3.2	207,000	4.5	9,000	7.1	153,000	4.1	2.3	2.2
Toronto	1993	1,772,000		15,,637		307,244		38,990		206,490†		2.1	2.0
	1994**	1,753,000	-1.1	17600	12.6	295,000	-4.0	44,000	12.8	208,000†	0.7	1.8	1.2
	1995**	1,770,000	1.0	17,100	-2.8	290,000	-1.7	40,000	-9.1	206,000†	-1.0	0.9	0.7

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Oshawa	1993	118,000		1,409		190,839		4,655		136,377		5.8	4.6
	1994	118,000	0.0	1,725	22.4	176,000	-7.8	4,800	3.1	140,000	2.7	4.1	3.4
	1995**	121,000	2.5	1,625	-5.8	176,000	0.0	4,800	0.0	143,000	2.1	3.6	3.2
Ottawa	1993	335,500		4,421		205,065¶		8,223		145,866†¶		1.8	1.8
	1994**	345,300	2.9	4,340	-1.8	205,200	0.1	8,050	-2.1	147,500†	1.1	2.5	2.6
	1995**	353,800	2.5	4,350	0.2	206,700	0.7	8,100	0.6	149,200†	1.2	2.9	2.3
Hull	1993	139,000		2,367		136,276¶		1,711		105,089		3.6	4.5
	1994**	141,000	1.4	2,400	1.4	134,000	-1.7	1,700	-0.6	108,000	2.8	4.7	6.6
	1995**	143,000	1.4	2,300	-4.2	136,700	2.0	1,650	-2.9	110,000	1.9	5.5	5.5
Montreal	1993	1,375,000		13,729		134,525		17,242		117,009		6.4	7.7
	1994**	1,405,000	2.2	13,100	-4.6	134,000	-0.4	17,900	3.8	117,000	0.0	6.4	6.8
	1995**	1,425,000	1.4	13,000	-0.8	136,000	1.5	18,325	2.4	118,000	0.9	5.6	6.0
Trois-Rivières	1993	51,900		783		81,000¶		709		71,500&		7.0	6.5
	1994**	53,800	3.7	821	4.9	81,972	1.2	745	5.1	72,360&	1.2	6.3	7.4
	1995**	54,800	1.9	914	11.3	83,775	2.2	695	-6.7	73,590&	1.7	7.1	6.9
Sherbrooke	1993	56,000		778		101,560		813		86,010¶		8.0	7.6
	1994**	57,000	1.8	900	15.7	100,000	-1.5	895	10.1	87,000	1.2	6.2	8.0
	1995**	58,300	2.3	820	-8.9	103,000	3.0	850	-5.0	88,500	1.7	6.6	7.3
Québec	1993	286,300¶		4,699		96,800¶		3,805		81,500‡		5.3	6.0
	1994**	292,300	2.1	4,800	2.1	96,800	0.0	4,000	5.1	82,000‡	0.6	5.7	6.9
	1995**	297,300	1.7	4,850	1.0	97,800	1.0	4,100	2.5	83,250‡	1.5	6.1	6.3
Chicoutimi-	1993	53,170		668		79,700		1,437§		78,100		5.4	6.3
Jonquière	1994**	50,500	-5.0	600	-10.2	78,900	-1.0	1,230§	-14.4	76,500	-2.0	5.3	6.3
	1995**	51,000	1.0	560	-6.7	78,900	0.0	1,150§	-6.5	76,500	0.0	5.2	5.4
Saint John	1993	56,000¶		471		115,282		1,089		87,329		7.8	6.3
	1994**	55,000	-1.8	500	6.2	113,000	-2.0	1,000	-8.2	87,500	0.2	8.7	8.0
	1995**	57,000	3.6	525	5.0	115,500	2.2	1,050	5.0	90,000	2.9	9.4	8.5
Halifax	1993	151,000		2,127		121,500		4,637		102,500		7.1	6.3
	1994**	153,000	1.3	2,500	17.5	124,500	2.5	4,500	-3.0	105,500	2.9	7.2	7.2
	1995**	154,000	0.7	2,600	4.0	127,000	2.0	4,600	2.2	107,000	1.4	7.7	8.4
St. John's	1993	70,500		1,137		124,000		1,741		92,319		7.9	8.8
	1994**	73,500	4.3	1,200	5.5	124,600	0.5	1,825	4.8	92,500	0.2	10.6	7.1
	1995**	74,500	1.4	1,200	0.0	125,900	1.0	1,850	1.4	93,500	1.1	8.0	6.0
Charlottetown	1993	25,300¶		341		125,600		240		94,500		7,2	4.8
	1994**	25,750	1.8	310	-9.1	115,000	-8.4	215	-10.4	95,000	0.5	7,4	6.2
	1995**	26,000	1.0	300	-3.2	115,000	0.0	225	4.7	94,000	-1.1	7.9	6.7
ALL	1993	7,676,770	1.8	99,257	-7.6	—	—	194,637	-8.5	—	—	—	—
METRO	1994**	7,791,250	1.5	97,390	-1.9	—	—	199,289	2.4	—	—	—	—
AREAS	1995**	7,920,500	1.7	96,842	-0.6	—	—	199,438	0.1	—	—	—	—

** Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

*** 1994-1995 values are CMHC forecasts except for the 1994 April and October vacancy rates which are actuals.*

† Average MLS price.

¶ Revised figure.

& Benchmark house price.

‡ Average price for single-detached, semi-detached, row and apartment condo.

§ Sales data is from TEELA.

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1 consumer confidence in the wake of job growth. On the other hand, recent interest rate hikes will partly offset the positive effects of more jobs.

Average employment growth in urban centres will be 1.7 per cent in 1995, up from an estimated 1.5 per cent in 1994. As a result, almost 7.92 million Canadians in major centres will have jobs in 1995, which is close to the pre-recession peak of 7.93 million jobs. The biggest percentage increases are forecast for Saint John, Windsor, Hamilton, Oshawa and Kitchener.

Strong new-home market forecast for some centres

Although total housing starts in major centres will edge down 0.6 per cent in 1995, many centres will see healthy activity over the year. Some centres will make strong gains, with Regina and four southern Ontario centres at the top of the list. Thunder Bay and Windsor will both recover to their pre-recession starts levels. Only 11 out of the 27 major markets will have fewer starts in 1995.

Thunder Bay, London, Windsor and Kitchener will lead major centres in Ontario and in the rest of Canada in housing starts growth. Most of the markets with big starts gains are rebounding after significant declines over the last year or two.

Windsor will have a second year of growth, after an almost 41 per cent surge in starts in 1994. Windsor's housing boom has been mainly due to healthy employment growth, reflecting an expansion in the automobile sector. The 1995 forecast for Windsor encompasses a rise in assisted-rental and condominium starts as well as another strong year for the single-family sector.

Thunder Bay's expected growth will be largely due to the development in 1995 of many projects put on hold in 1994. Builders here delayed a number of apartment and condominium projects this year because markets were less active than expected.

For Regina, the increase in starts will be slightly more than 31 per cent, or 575 units. This represents a rebound after the 22-per-cent decline of 1994. The increase will be largely due to move-up buyers, who will take advantage of a strong resale market to sell their existing homes and purchase a new one.

In London and Kitchener, starts will rise because of stronger consumer confidence in the wake of brighter job prospects. For Kitchener, 1995 will be the second year of employment growth. Manufacturers in 1994 benefited from strong export markets, particularly the transportation equipment sector boosted by the strong automotive parts export market.

Three centres west of Regina — Vancouver, Victoria and Edmonton — will have fewer starts in the year ahead. Edmonton will see starts drop 14 per cent in 1995, following a decline of 27 per cent in 1994. No recovery is yet in sight for this centre.

Chicoutimi will have a second consecutive year of lower starts, with a decrease of 7 per cent. The decline in new construction will be partly due to poor employment growth as well as to the popular provincial renovation program, which is an incentive for people to buy or stay in existing homes.

In Sherbrooke, lower interest rates and increased affordability at the beginning of 1994 enabled many consumers to buy earlier than anticipated. These advance purchases will mean a slower new-home market in 1995, with a 9 per cent reduction in starts.

In Oshawa, starts will decrease by almost 6 per cent in 1995 after a very active market in 1994. This year's strong activity was due to affordability gains in the early months, but higher interest rates have altered the picture and the Oshawa market has now entered a cooling off period. Employment growth which was expected this year has been delayed to the second half of 1995 — and will not be enough to boost construction.

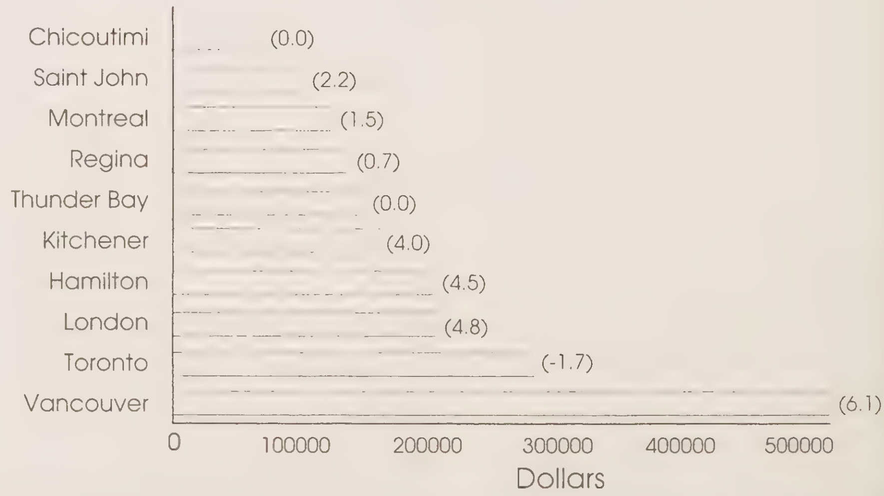
Other centres to see starts declines include Toronto, Charlottetown and Hull.

Although Toronto's new-home market grew by about 13 per cent in 1994, a drop of almost 3 per cent is forecast for 1995. The drop will result from a sharp downturn in affordability due to interest rate increases in 1994 and a slow job recovery. ■

Vancouver Prices to Lead the Nation

Average New House Prices for Selected Centres — Forecast 1995

New House Price Forecast



SOURCE: CMHC.

Most Resale Markets to Increase

Existing home sales will increase in 18 of 27 major Canadian markets in 1995, although the sales for all centres combined will only be 0.1 per cent higher than in 1994.

Of the 8 markets with resale declines, Toronto will see the biggest reduction — a drop of 9 per cent. This follows a 13 per cent increase in 1994.

The fastest growing resale markets in 1995 will be St. Catharines, Calgary, Hamilton, Kitchener and Sudbury. The growth in Calgary will constitute a turn-around after a decline in 1994 of almost 5 per cent.

All the other top gainers in the resale market will be in their second or third year of growth in 1995. This indicates that the recovery in resales is stronger than in the new home market, where most leading centres are on the rebound after weak starts in 1994.

St. Catharines will see the greatest resale increase, a 9 per cent rise in 1995, following a 14 per cent jump in 1994. In Hamilton, resales will climb 7 per cent in 1995, after an 8 per cent rise in 1994. These successive increases are supported mainly by better job prospects.

Calgary's resale market will increase by 8 per cent in 1995, the second largest increase among Canada's major urban centres. Calgary's strength will reflect a rise in net migration to Alberta due to continued economic growth in this province and slower job creation in B.C.

The Vancouver resale market will increase by more than 4 per cent after declining nearly 3 per cent in 1994. This year's sales decline has not affected prices which rose by 9 per cent in 1994, despite the lower sales and the slippage in jobs that occurred in 1993.

After two straight years of decline, the Saint John resale market will rebound by 5 per cent in 1995, thanks to the centre's economic recovery regaining momentum before the year's end. This will be due to higher retail trade and strong exports, which will lead to steady gains in employment.

After Toronto, the biggest market declines will be in the mid-sized centres of Trois-Rivières (-6.7), Chicoutimi (-6.5), Saskatoon (-5.4) and Sherbrooke (-5.0).

Despite lower resales (-5.4) expected in Saskatoon for 1995, prices here will rise 3 per cent. Although sales have been low, listings have been kept in check, driving prices upwards.

Resales in Sherbrooke will fall 5 per cent in 1995, after increasing by more than 10 per cent in each of the past two years. Other Quebec centres — notably, Trois-Rivières and Chicoutimi — will also see resale declines next year.

In Trois-Rivières, a drop of 7 per cent in resales will be due to a stronger new housing market. In Chicoutimi, the resale market will still be sluggish in 1995 after a drop of almost 15 per cent in 1994.

Edmonton's resales will decline for the second year in a row in 1995 to post a drop of slightly more than 4 per cent. This follows an estimated reduction of nearly 16 per cent in 1994. The decline has occurred because much of Edmonton's housing demand was satisfied over the past three years when interest rates were lower and government incentive programs were launched. What's more, Edmonton's economy is performing below the provincial level.

Vancouver will remain the most expensive market in 1995, with an average resale price of $390,000. CMHC's forecast shows that, for the first time in four years, prices will increase more in some southern Ontario markets than in Vancouver (2.6 per cent). Hamilton resale prices will increase by 4.1 per cent, Windsor 3.4 per cent and Kitchener 2.8 per cent. ■

Highlights of 1995 Forecast

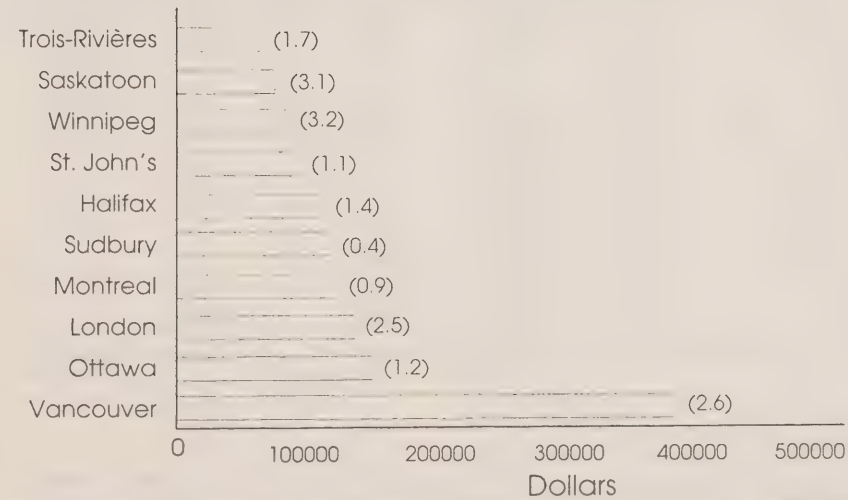
Percentage Change in Annual Resales:

Top Five	%	Bottom Five	%
St. Catharines	9	Toronto	-9
Calgary	8	Trois-Rivières	-7
Hamilton	7	Chicoutimi	-7
Kitchener	7	Saskatoon	-5
Sudbury	5	Sherbrooke	-5

Vancouver will remain the most expensive market

Average MLS Prices for Selected Centres — Forecast 1995

Existing House Price Forecast and per cent change in ( )



SOURCES: CMHC and local real estate boards.

Prices rose faster than inflation in a majority of markets

Home prices rose faster than inflation in 23 of the 27 major Canadian markets in the last 23 years, the period of recent Canadian history when the cost of living appreciated most rapidly. This is based on an analysis of the average price paid for homes purchased through local MLS boards since 1971.

The price paid for homes rose in all centres between 1971 and 1994, rising by 11 per cent annually in Vancouver at the upper end and by 5 per cent annually in Quebec City at the lower end. When expressed in real terms (nominal prices less inflation), prices rose by about 5 per cent annually in Vancouver and dropped by 1 per cent annually in Quebec City. This broad range of real price changes over the long term reflects the variety and growing diversity of housing markets across Canada.

The pace of change has varied considerably from one market to another since the mid-1970s. As a result, the price gap between markets at the high end of the scale and those at the low end has grown greater with every year.

At the beginning of the period, in 1971, the highest average price was about twice that of the lowest. Today, in 1994, the most expensive market has an average price of $302,435, which is almost five times greater than that of the lowest at $70,840.

These rates of real and nominal price appreciation are market-wide averages and are only rough indications of the experiences of people owning homes in this period. For any centre, location and style are always a critical consideration which determines whether a home's value rises faster or slower than the market average.

A large number of markets, especially rapidly growing markets fluctuated significantly during this time period. In these markets, real estate prices are cyclical and present a great deal of downside risk to all buyers who purchase at the top of the price cycle. "Timing, timing, timing", has emerged in importance to complement if not replace "location, location, location" as the main consideration for purchasing a home in rapidly growing markets.

In Toronto, real prices increased considerably in only one period. This was from 1986 to 1989. This was when prices were driven up by a booming economy, heavy migration and a strong demand for new homes outpacing supply.

In Vancouver and Victoria, real prices rallied in two different periods. The first period was from 1979 to 1982 and the second, starting in 1986, continues today. The last rally in Vancouver was not as pronounced as in Toronto and maybe this is one reason why prices there have continued to rise. Although, a more moderate increase than the one experienced in Toronto in 1986-1989 is

Long Term Changes in Average Resale Home Prices

	Average Prices 1971	Average Prices 1994 (Jan.-Sep.)	Per cent change		Annual Per cent change	
			Nominal	Real[4,5]	Nominal	Real[4,5]
	$	$	%	%	%	%
Vancouver	26,471	302,435	1043	175	11.2	4.5
Victoria*	23,620	219,890	831	124	10.2	3.6
Thunder Bay	16,944	116,898	590	71	8.8	2.4
London**	20,347	136,786	572	62	8.6	2.1
Toronto	31,882	208,852	556	57	8.5	2.0
St.Catharines-Niagara**	19,456	118,566	509	47	8.2	1.7
Calgary	23,641	134,302	468	45	7.9	1.6
Oshawa**	23,508	140,554	498	44	8.1	1.6
Hamilton**	24,758	147,068	494	43	8.1	1.6
Charlottetown[1]	17,652	80,032	353	31	7.1	1.2
Windsor**	21,913	117,243	435	29	7.6	1.1
Saskatoon	16,461	81,794	397	26	7.2	1.0
Ottawa	29,619	146,925	396	23	7.2	0.9
Montreal	23,693	114,093	382	18	7.1	0.7
Hull	20,567	98,189	377	18	7.0	0.7
Edmonton	24,500	113,150	362	16	6.9	0.7
Winnipeg	18,452	85,378	363	13	6.9	0.6
Regina	16,572	74,097	347	11	6.7	0.5
Kitchener	30,813	141,587	360	11	6.9	0.4
Halifax	23,904	103,579	333	10	6.6	0.4
Sudbury**	26,454	114,602	333	4	6.6	0.2
Saint John	19,017	79,331	317	4	6.4	0.2
Chicoutimi[2]**	41,791	73,075	75	1	6.4	0.2
Trois-Rivières	17,471	70,840	306	-1	6.3	-0.04
Sherbrooke**	22,676	82,315	263	-11	5.8	-0.5
St. John's[3]	35,585	92,447	160	-10	5.2	-0.6
Québec	27,854	88,734	219	-21	5.2	-1.0

[1] *1972-1994 (P.E.I. average price)*
[2] *1981-1994*
[3] *1975-1994*
[4] *Nominal price less inflation*
[5] *1994 CPI estimate*
* *Vancouver CMA CPI*
** *Provincial CPI*

Source: Multiple Listing Service Annual Report, *Canadian Real Estate Association, various years.*
Note: 1971 prices include all MLS transactions.

now being observed in Vancouver, real prices are close to the level attained in Toronto at the peak.

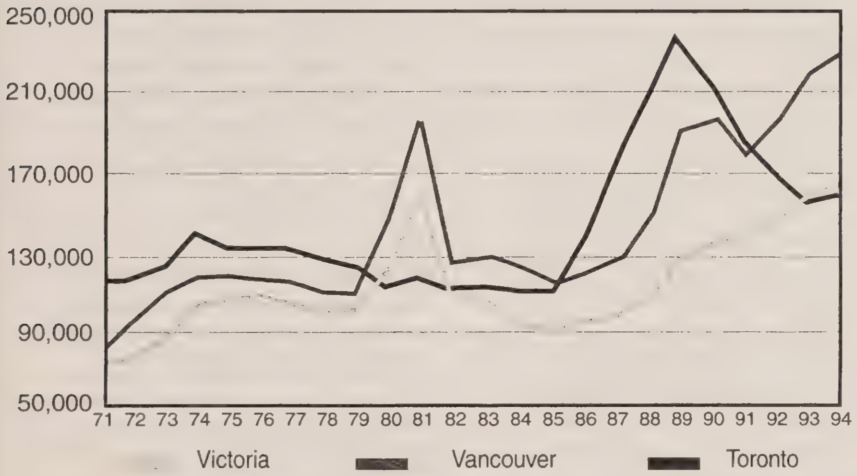
Differences in home price trends over the past two decades are attributable to demand and supply factors. Pressure on prices by incoming population and local constraints on land availability are among the most important factors that have influence prices in Toronto and Vancouver.

These factors also have played an important role in other markets that experienced high growth over the same period. Markets like Victoria, Calgary, Hamilton, Oshawa and St. Catharines experienced population growth, and all appear to have been influenced by demand pressures and at one point supply constraints. ■

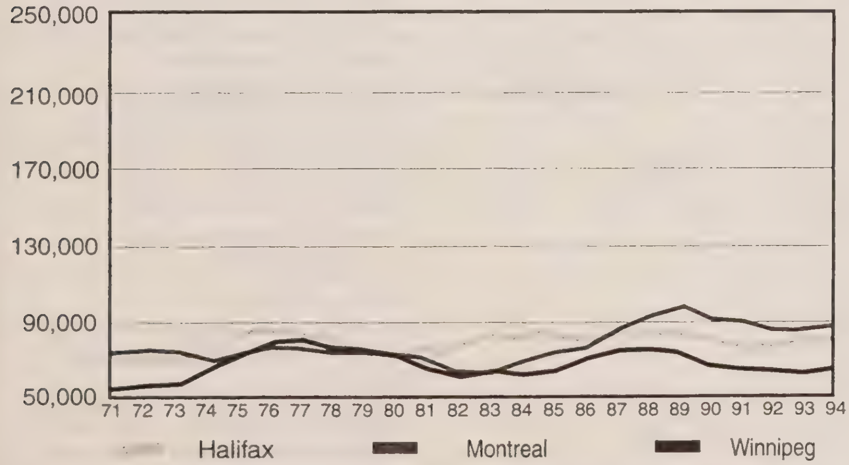
Due to space limitations, this article reports only some of the data available for Long Term Changes In Average Resale Home Prices. A more complete series of data covering the 1971 to 1994 period is available as a spreadsheet. It includes data relating to annual nominal average prices, real prices for each year in each centre, and the Consumer Price Index (CPI) data used to calculate the real prices. Use this spreadsheet to manipulate the data according to your own research objectives and to integrate the results into your data files. This spreadsheet file, in LOTUS 123 format (version 2.0), can be ordered for only $19.95 by calling (613) 748-2344 and using your VISA or MasterCard.

Average Resale House Prices in Constant Dollars

Markets with above average long term price increases



Markets with relatively stable prices



Source: CMHC calculations based on MLS and Statistics Canada data.
Average prices expressed in constant 1986 prices.

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment:

Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:

Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:

The single new house price is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):

The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:

The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit Structures Vacancy Rate:

The three-unit structure vacancy rate is the overall private market vacancy rate reported in the Rental Market Survey for both April and October. This would include both rowhouses and apartments.

Modest job growth forecast for all centres

Employment will rise in all 27 of Canada's major urban centres in 1995, up from the 21 centres forecast to see growth in 1994. The year ahead will be the third in a row to bring job increases, after rises of 1.8 and 1.5 per cent in 1993 and 1994 respectively. Canada's job markets, it appears, are gaining momentum. This will help sustain housing markets by boosting consumer confidence.

The year 1994, itself, has seen more job growth than expected in major centres. At least four centres — Edmonton, St. Catharines, Québec and Chicoutimi — are now expected to see higher employment in 1994, following an earlier CMHC forecast of declining employment. Unfortunately, the gains in some of these centres will not be big enough to boost their housing markets much.

The major job gainers in 1995 will be the southern Ontario centres of Hamilton, Kitchener-Waterloo, London, Oshawa, St. Catharines-Niagara and Windsor. All of these will experience job market expansions of more than 2 per cent, which will place them either at a pre-recession level or close to it. Continued gains in employment will lead to stronger housing markets in the south of the province, and this will help push up the total housing figures for 1995.

The big exception to the southern Ontario growth is Toronto. This centre has not kept pace with Canada's economic recovery and has registered only minor employment gains since the upturn began in the rest of the country. In fact, employment will have to increase another 10 per cent to reach its pre-recession level of 1989. Toronto's housing market has been weakened as a result.

A downward housing trend started in Toronto in the second half of 1994 and will continue in the first half of 1995. With the second half of 1995, however, the downturn should reverse because employment will turn upward in Toronto for the first time since 1989.

In Montreal, employment losses incurred during the recession will be almost fully recovered in 1995. This recovery of jobs will be just enough to maintain a small upturn in the resale housing market, although the market will remain oversupplied.

Vancouver is one of the few centres that did not experience the recession of the early 1990's. The resulting high consumer confidence continues to help push up demand for resale homes on the west coast.

By the end of 1995, 13 out of the 27 major markets will have fully recovered from the recession, up from 9 in 1994. These centres — well dispersed across the country — are St. John's, Québec City, Trois-Rivières, Hull, London, Oshawa, Kitchener, St. Catharines, Sudbury, Saskatoon, Calgary and Victoria.

The 10 remaining centres — Halifax, Chicoutimi, Montreal, Sherbrooke, Hamilton, Toronto, Thunder Bay, Ottawa, Winnipeg and Regina — will continue on the road to recovery in 1995. ■

Summary of Employment Forecasts by Stage in Cycle

Did not Experience Downturn	Recovered to Pre-Recession Level	Recovering but Employment Below Pre-Recession Level	Stable
Saint John	St. John's	Halifax	Charlottetown
Vancouver*	Québec	Chicoutimi	
Edmonton*	Trois-Rivières	Montreal	
	Hull	Sherbrooke	
	London	Hamilton	
	Oshawa	Toronto	
	Kitchener	Thunder Bay	
	St. Catharines	Ottawa	
	Windsor	Winnipeg	
	Sudbury	Regina	
	Saskatoon		
	Calgary		
	Victoria		

**Vancouver did not experience the recession in 1991-92 but employment there dipped slightly in 1993.*
SOURCE: CMHC forecast.

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Get more details about the new home and resale market forecasts for any major urban centre identified in **Canadian Housing Markets**. Twice a year, CMHC publishes **Housing Forecast Reports** for 27 urban markets across Canada. For more information about the **Housing Forecast** for a centre near you, call (613) 748-2966.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Bruno Duhamel, Local Market Analysts Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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To subscribe call 1-800-304-8736, fax 1-800-463-3853 or mail your order form to: CMHC, P.O. Box 3077, Markham, Ontario L3R 6G4.
Annual subscription (4 issues) $44 + GST
Catalogue No. CMHC/CHME
Single issue $11 + GST
Catalogue No. CHMC/CHME-1994-04
Cette publication est aussi disponible en français sous le titre ***Marchés de l'habitation canadiens***
Numéro de catalogue CHMC-CHMF-1994-04
© Canada Mortgage and Housing Corporation 1994
ISSN 1188-4487
Printed in Canada
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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
First Quarter 1995

Affordability to Improve in Second Half of 1995

Homeownership affordability will improve in the second half of 1995 as mortgage rates are forecast to settle down. However, this improvement will only take place after a decline in affordability from October 1994 through to the first half of this year.

Although the mortgage rate roller coaster of 1994 is not expected for 1995, rates will still play the key role in determining housing affordability this year. Other factors which affect affordability, like house prices and renter incomes will not see big changes in most centres this year.

Prices will be kept in check by an abundant supply of homes and mild housing demand in most markets. Low inflation and modest employment growth of under two per cent for all major centres combined, will prevent any rapid rise in renter incomes.

As can be seen from the chart Affordability to Improve in Fall 1995, the percentage of renters who could afford to buy a starter home fell from record highs last spring as mortgage rates rose. A starter home refers to a house bought by first-time buyers and is typically of a modest design.

There was some relief for homebuyers as mortgage rates dropped in the early fall. The three year rate fell from 10.375 per cent in July to 9.5 per cent in October. Over the same period, the share of renters who could afford to buy in all centres combined climbed from just over 25 per cent to just under 29 per cent.

Last fall's reprieve in mortgage rates was short-lived as they once again headed upward in December. By early February 1995, the three year rate had hit 10.5 per cent and the share of renters who could buy fell to 25.1 per cent — about the same level as last summer's low.

The outlook for the first half of 1995 is for affordability to decline as three-year mortgage rates climb to an average of 11.25 per cent for the first six months of the year. This mortgage rate would allow 22.6 per cent of renters to switch to homeownership. This is still above the affordability lows experienced in 1990 and 1981 when just under 20 per cent of renters could afford to buy.

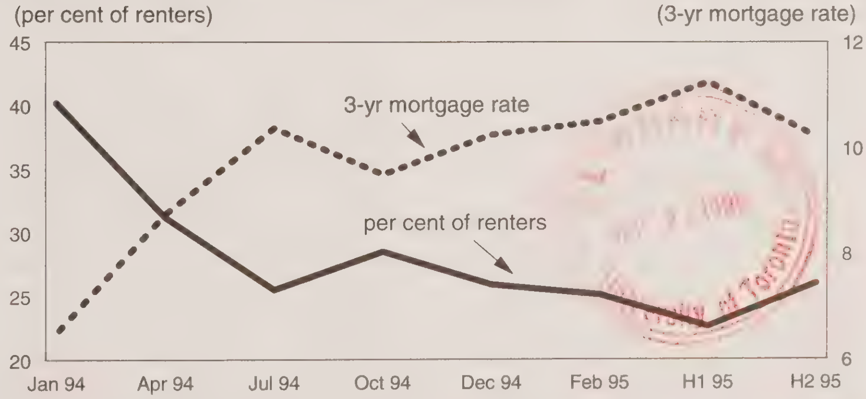
A brighter picture is expected for the second half of the year as rates are forecast to drop to an average of 10.2 per cent. As a result, affordability will rise and starter homes will be within reach of 26 per cent of renters.

continued on next page

CMHC Rebases Indicators

In an effort to provide our readers with the best affordability information in Canada, CMHC has rebased its affordability indicators to the most current Census income information available. We therefore have rebased all estimates of the percentage of renters who can afford to buy and the percentage of new construction affordable that have been previously published. Due to lack of historical resale listings information, CMHC is not able to revise previously released figures on the percentage of resale supply affordable. Therefore, caution must be exercised when comparing the second half 1994 percentage of resale listings affordable with other years or when making comparisons between the new and resale supply indicators before the second half of 1994.

Affordability to Improve in Fall 1995



	Jan 94	Apr 94	Jul 94	Oct 94	Dec 94	Feb 95	H1 95	H2 95
% Renters	40.2	31.2	25.5	28.5	25.9	25.1	22.6	26.0
3-yr Rate	6.50	8.75	10.38	9.50	10.25	10.50	11.25	10.21

SOURCE: CMHC.

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First Time Buying to Cool in 1995 After Booming Last Year

First-time buying boomed last year but 1995 will see a cool down in activity. Last year started with a bang as a spring buying spree sprouted when mortgage rates were at record lows and starting to climb. From January to June 1994, homes bought under CMHC's First Home Loan Insurance (FHLI) Program were up 65 per cent over the same period in 1993.

By the end of 1994, over 100,000 loan approvals had gone through the FHLI plan — up 30 per cent from 1993.

This year, first-time buying will not match the explosion seen in 1994, but will be around the same level as 1993. The slow down in activity will primarily be the result of higher mortgage rates which will reduce affordability in the first half of the year and the shrinking pool of first-time buyers. First-time buying will be stronger in the second half of the year as affordability improves.

Second Half 1994 Average Affordability Down

Rising mortgage rates brought down affordability in all major centres in the second half of 1994, compared to the same period in 1993. For all centres combined, the share of renters who could buy fell from 35.3 per cent in the last half of 1993, to 27.4 per cent in the second part of 1994.

However, compared to the first half of 1990, when affordability was at a low point, the share of renters who can buy has improved in all but two centres (Victoria and Québec City).

The most affordable centres in the second half of 1994 were found either in eastern Canada or in Saskatchewan. Lower house prices helped keep homeownership within reach of many renters in these areas. Chicoutimi had the biggest share of renters (46.6 per cent) who could afford to buy and the second lowest priced average starter home of $72,000.

Saint John had the second most affordable market, with 46.3 per cent of renters able to afford a home which also cost around $72,000. In Regina, 41.1 per cent of renters were in a position to buy. In Trois-Rivières, which had the lowest starter home price of $68,500, just over 40 per cent of renters could afford to buy.

The least affordable areas in Canada were Victoria (12.8 per cent of renters could buy), Vancouver (18.3 per cent) and Toronto (20.7 per cent). Higher house prices kept affordability down in these centres. For instance, in Victoria, the average starter home price was $188,000 — almost three times that of Trois- Rivières.■

The Percentage of Renters Who Can Afford to Buy a Starter Home — 1989 to 1994

(Ranked from Highest to Lowest Based on Jul-Dec 1994)

CENSUS METROPOLITAN AREAS (CMA)	TOTAL JAN-DEC 1989	TOTAL JUL-DEC 1990	TOTAL JUL-DEC 1991	TOTAL JUL-DEC 1992	TOTAL JUL-DEC 1993	TOTAL JUL-DEC 1994
Chicoutimi-Jonquière	45.3	45.5	49.6	51.7	53.8	46.6
Saint John	41.4	39.9	48.0	50.7	51.7	46.3
Regina	38.5	38.1	45.5	46.4	47.3	41.1
Trois-Rivières	37.1	35.1	42.0	43.0	44.0	40.3
Charlottetown	N/A	N/A	39.6	44.4	46.6	39.8
Saskatoon	35.7	34.2	44.3	47.6	46.5	39.7
Halifax	38.5	35.3	46.2	45.2	48.1	38.9
St. John's	36.0	34.5	45.7	44.9	44.8	37.6
Hull	34.9	33.2	40.5	42.8	42.7	35.2
Winnipeg	33.6	32.8	38.3	39.7	41.7	34.9
Thunder Bay	37.8	34.7	41.0	42.5	42.6	33.8
Sherbrooke	30.3	31.1	33.8	37.3	40.1	33.7
Edmonton	35.4	29.8	37.4	41.5	42.5	33.3
Calgary	34.7	27.5	36.5	41.4	44.2	33.2
Sudbury	35.6	30.0	36.4	38.4	40.8	33.2
Québec	37.2	33.0	40.0	40.6	40.8	32.6
Montreal	27.0	24.2	32.5	36.3	37.9	30.6
Oshawa	12.9	12.3	28.0	35.5	41.2	30.5
St. Catharines-Niagara	25.0	18.9	27.8	33.3	38.3	28.1
Windsor	31.1	25.3	34.7	36.8	36.3	27.2
London	22.9	15.5	25.6	32.0	32.2	25.5
Kitchener	13.8	10.3	22.6	30.3	34.2	25.2
Ottawa	22.9	19.8	27.7	29.7	31.5	24.6
Hamilton	16.2	13.0	23.3	27.8	31.5	22.2
Toronto	7.1	8.2	18.8	26.0	29.3	20.7
Vancouver	21.2	16.8	25.3	25.9	24.7	18.3
Victoria	22.2	15.7	22.2	19.2	19.2	12.8
Metropolitan Area Total	23.6	20.9	29.7	33.6	35.3	27.4

Source: CMHC.

Supply of New Homes Down but Better Than 1991

The percentage of affordable new homes sold dropped over the last year in all 27 major centres. Higher mortgage rates have put many new homes out of reach of first-time buyers. However, despite the higher rates, 21 centres had more affordable new housing in the second half of 1994, than in the first part of 1991, the first year for which CMHC has complete new construction sales data.

Builders have increasingly been targeting first-time buyers to keep up sales. In 11 of the 27 major housing markets, over half of the new homes sold in the last six months of 1994 were within reach of potential first-time buyers.

This is down slightly from a year ago, when historically low mortgage rates made the majority of new homes sold affordable in 14 of 27 markets. Overall, across all major centres combined, there remains an ample supply of affordable new housing as 34 per cent of new homes sold went for affordable prices.

The most affordable new homes were found in the Quebec and Atlantic centres. Chicoutimi was the most affordable area in the nation with nearly 90 per cent of the new homes sold within reach of prime first-time buyers.

Trois-Rivières, St. John's and Halifax, also had new home markets targeted to first-time buyers with over 70 per cent of new sales going for prices potential homeowners could afford.

Toronto, along with four other Ontario markets, had the smallest share of affordable new homes sold. In Hamilton, only 2.4 per cent of the new units sold went for starter home prices. This is because the most prevalent type of new home being built is the more expensive single-detached unit.

Vancouver's new home market was more affordable than Toronto's because of the high level of multiple construction geared to first-time buyers. In Vancouver, 30 per cent of the new homes sold were affordable compared with 16 per cent in Toronto. This is surprising since Vancouver, along with Victoria, have a reputation for being Canada's most expensive markets.

Montreal was the most affordable of the three largest centres, as almost 60 per cent of the new units sold were priced within reach of first-time buyers. ■

Top Five Most Affordable New Home Markets

Per Cent of New Construction Affordable	
Chicoutimi	89
Trois-Rivières	76
St. John's	72
Halifax	70
Saint John	66

Source: CMHC.

Resale Homes Still Abundant

Despite the recent hikes in mortgage rates, most resale markets have an abundant supply of affordable homes. In 13 of 23 centres reporting data, at least half of the homes on the existing market were within reach of first-time buyers in the last half of 1994.

Higher mortgage rates in the last part of 1994 led to a decline in the prices potential homebuyers could afford to pay. But total resale listings were up by over ten per cent from a year ago in the centres reporting data. This rise in overall listings means that these markets continue to be well supplied, keeping a lid on any big price increases.

The bottom line in most resale markets is that first-time buyers still have a wide choice of homes. For all centres combined, 45 per cent of resale homes on the market were within reach of potential first-time buyers. In 20 of 23 major areas, the most common affordable home offered on the resale market was a single detached house.

The most affordable resale markets in the country were found in Prairie and east coast centres. Regina and Saskatoon first-time buyers could choose from over 80 per cent of the resale market. In St. John's, Winnipeg and Saint John over 70 per cent of new homes were within reach of starter home shoppers.

The least affordable markets in the last half of 1994 were in west coast and southern Ontario urban areas. Ottawa was the least affordable resale market in the nation as only 22 per cent of homes were priced to suit potential first-time buyers.

Vancouver and Victoria, also had less than 30 per cent of their resale markets affordable to starter-home seekers. The most common type of affordable resale listing in these west coast markets is either a condominium apartment or a townhouse. Kitchener and Windsor, rounded out the five least affordable markets with about 35 per cent of listings available to potential first-time homeowners. ■

Top Five Most Affordable Resale Markets

Per Cent of Listings Affordable	
Regina	87
Saskatoon	81
St. John's	76
Winnipeg	74
Saint John	73

Source: CMHC.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1994 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Family	57,738	171,774	28.9	Condo Apartment	28.4
	Non Family	45,188	133,646	11.1	Condo Apartment	9.4
	Total	52,636	156,654	22.6	Condo Apartment	23.9
Vancouver	Family	64,379	195,451	34.0	Newer† Townhouse	34.9
	Non Family	53,392	160,566	25.2	Newer† Condo Apt.	22.4
	Total	59,642	179,683	28.1	Older‡ Townhouse; New Condo Apt.	29.6
Edmonton	Family	49,377	140,703	72.0	New 2 Storey; 1 1/2 Storey	52.2
	Non Family	41,179	115,238	54.0	New Split; Existing Bungalow	25.7
	Total	45,872	129,969	67.0	New Split; Existing Bungalow	41.1
Calgary	Family	53,395	159,494	N/A	N/A	51.0
	Non Family	44,609	129,947	N/A	N/A	20.8
	Total	49,561	146,598	N/A	N/A	35.2
Saskatoon	Family	50,890	140,245	83.6	Bungalow; Split Level	64.5
	Non Family	46,211	124,508	77.4	Bungalow; Split Level	41.9
	Total	48,962	133,761	80.8	Bungalow; Split Level	56.6
Regina	Family	53,246	144,910	89.2	Bungalow	60.8
	Non Family	48,281	128,213	83.1	Bungalow	41.6
	Total	51,049	137,522	87.1	Bungalow	51.8
Winnipeg	Family	46,191	123,600	78.6	Bungalow; 2 Storey	37.2
	Non Family	37,554	94,555	65.0	Bungalow; 2 Storey	9.9
	Total	42,219	110,243	73.8	Bungalow; 2 Storey	19.1
Thunder Bay	Family	54,094	158,397	74.3	Bungalow; 2 Storey	24.0
	Non Family	41,219	115,098	47.4	Bungalow; 1 1/2 Storey; Row/Apt.	4.7
	Total	48,885	140,878	69.2	Bungalow; 1 1/2 Storey; Row/Apt.	18.7
Sudbury	Family	51,297	147,215	70.0	Bungalow	55.3
	Non Family	39,779	108,479	35.0	Bungalow	9.9
	Total	47,368	134,001	63.0	Bungalow	41.2
Windsor	Family	48,582	134,814	43.0	One Floor; 1 1/2 Storey; 2 Storey	16.4
	Non Family	40,553	107,813	24.7	One Floor; 1 1/2 Storey; 2 Storey	2.9
	Total	45,404	124,130	35.0	One Floor; 1 1/2 Storey; 2 Storey	12.3
London	Family	48,432	138,042	50.7	Row Condo; One Floor	34.7
	Non Family	39,549	108,169	27.5	Row Condo; One Floor	5.0
	Total	44,790	125,794	40.0	Row Condo; One Floor	19.3
Kitchener	Family	49,703	137,207	47.2	Row Condo; Semi; 1 1/2 Storey	18.9
	Non Family	39,570	103,132	17.7	Row Condo; Condo Apt.	0.3
	Total	46,001	124,760	35.9	Row Condo; Semi; 1 1/2 Storey	5.0
St. Catharines-Niagara	Family	46,113	128,362	53.8	Split-Level; Bungalow	38.5
	Non Family	37,623	99,809	26.5	Row Condo; Condo Apt.	14.1
	Total	43,081	118,165	42.7	Bungalow	31.8
Hamilton	Family	50,643	140,003	N/A	N/A	9.8
	Non Family	39,399	102,188	N/A	N/A	0.1
	Total	46,309	125,428	N/A	N/A	2.4

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1994 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION %
Toronto	Family	61,463	170,557	N/A	N/A	28.2
	Non Family	51,051	135,541	N/A	N/A	4.4
	Total	57,153	156,061	N/A	N/A	15.5
Oshawa	Family	55,790	155,356	N/A	N/A	45.6
	Non Family	46,777	125,048	N/A	N/A	8.2
	Total	53,253	146,823	N/A	N/A	38.4
Ottawa	Family	55,613	148,289	35.5	Bungalow; Townhouse	35.4
	Non Family	45,302	113,611	10.1	Townhouse	4.7
	Total	50,986	132,727	22.2	Bungalow; Townhouse	15.5
Hull	Family	46,388	122,226	42.5	Bungalow	58.4
	Non Family	37,555	92,519	21.7	Bungalow	19.9
	Total	43,369	112,073	36.8	Bungalow	40.7
Montreal	Family	48,579	129,962	58.0	All Types	69.5
	Non Family	38,336	95,513	30.0	Bungalow; Condo	39.4
	Total	44,511	116,280	44.0	All Types	59.3
Trois-Rivières	Family	40,921	108,904	70.0	Bungalow	80.2
	Non Family	33,560	84,149	44.0	Bungalow	64.8
	Total	38,170	99,653	67.0	Bungalow	75.9
Sherbrooke	Family	41,016	107,123	60.0	Bungalow; 2 Storey	74.9
	Non Family	32,326	77,897	26.9	Bungalow	21.2
	Total	37,670	95,869	50.9	Bungalow	61.9
Québec	Family	44,749	113,737	62.3	All Types	65.7
	Non Family	36,269	85,222	33.5	All Types	38.6
	Total	41,255	101,987	54.4	All Types	58.3
Chicoutimi-Jonquière	Family	42,921	113,538	72.8	Bungalow	91.2
	Non Family	34,756	86,081	43.2	Bungalow	70.1
	Total	40,718	106,132	66.0	Bungalow	88.7
Saint John	Family	43,824	123,438	58.5	Modest 2 Storey	70.0
	Non Family	38,915	106,929	71.1	Split Entry	55.4
	Total	42,072	117,545	72.9	Modest 2 Storey	65.7
Halifax	Family	49,192	140,557	66.9	2 Storey	77.4
	Non Family	43,071	119,971	47.4	Semi-Detached	49.3
	Total	46,767	132,400	56.6	Split Level	70.2
St. John's	Family	46,988	130,170	77.1	Bungalow	80.3
	Non Family	46,737	129,327	75.1	Bungalow	71.7
	Total	46,903	129,884	76.2	Bungalow	71.7
Charlottetown	Family	43,965	122,725	56.8	All Types	66.4
	Non Family	35,120	92,981	31.8	Bungalow	21.4
	Total	40,200	110,062	48.6	All Types but 2 Storey	54.3
Metropolitan Area Total	Family			53.8		44.6
	Non Family			30.4		20.7
	Total			44.6		34.3

* Calculated with a mortgage rate of 9.8 per cent.
** Percentage of new dwellings sold at or below the maximum affordable house price.
† Newer is five years old or less.
‡ Older is ten years old or more.
N/A is data not available from the local real estate board.

Sources: CMHC, local Real Estate Boards and Statistics Canada.

Affordability Trends in Canadian Centres Since 1980

Mortgage rates always play a key role in determining housing affordability and this was especially so in the early eighties. As the chart Canadian Affordability Trends shows, the early eighties saw affordability rise from its lowest to highest point. It jumped from a low in 1981, when sky-high mortgage rates left the housing market affordable to just 19.4 per cent of renters, to a high in 1985, when almost 40 per cent of renters could afford to buy. Over the same period, the annual average three year mortgage rate fell from its peak at over 18 per cent in 1981 to 11.5 per cent in 1985.

Affordability Falls As House Prices Boom in Mid Eighties

From 1985 to 1988 affordability dropped due to rising house prices in most centres. In 1988, mortgage rate increases kicked in, helping to drive down affordability until the first half of 1990. As rates rose, affordability fell, until it bottomed out in the first half of 1990, just as mortgage rates hit a peak. By 1990, prices had started to cool down in many areas and affordability was poised to recover.

Rate Relief in Early Nineties Gives Affordability a Boost

The early 1990s saw mortgage rates plummet as they did ten years before giving first-time buyers a shot in the arm. The three year rate was more than cut in half, from a high of 14.25 per cent in 1990, to a low of 6.5 per cent in January 1994. This big drop in rates lifted the percentage of renters who could buy to a peak in the last half of 1993. Not since 1986, was housing as affordable as it was in the last half of 1993.

Stable, and in some areas like southern Ontario, falling house prices combined with the declining rates to boost affordability. Income growth played only a small role in the affordability rise as it was modest in most centres in the early nineties.

Rates started another upward climb in the spring of 1994, subsided briefly in the third quarter and again increased through the winter. As a result, affordability slipped from its high but still remains above the 1990 low.

Affordability Trends Vary Across Centres

This section of Canadian Housing Markets looks at the affordability trends in some of Canada's largest centres since 1980. For a complete picture covering all major urban areas refer to the special insert describing CMHC's soon to be released study on historical affordability trends.

Montreal Most Affordable Big Centre

Of the three largest urban centres, Montreal has consistently been the most affordable place to buy a home in the last 15 years. This is because Montreal has had the lowest starter home prices of the big centres. The higher level of affordability in Montreal has come in spite of the fact that renter incomes have not grown as fast as in Toronto or Vancouver in the 1980s.

Affordability has also been more stable in this market in comparison to Vancouver and Toronto. This is mainly because Montreal has not seen house price booms and busts along the magnitude experienced the other two centres. Except for 1987 and 1988, when prices were showing big gains, mortgage rates have been the main driving force behind the swings in affordability in Montreal. This is clear from the chart Canadian Affordability Trends which shows that the peaks in affordability in the last 15 years line up closely with the troughs in mortgage rates and vice versa.

The Fall and Rise of Toronto Affordability

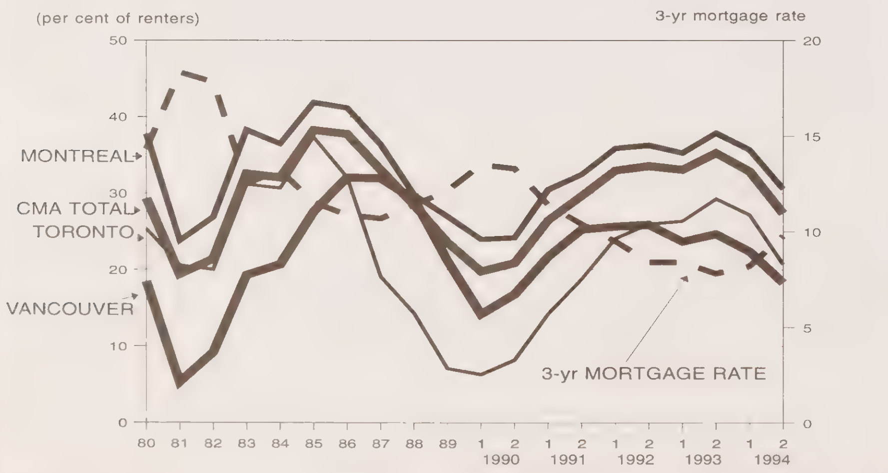
One of the major events in the Canadian housing industry in the late 1980s was the rise and fall of the Toronto housing market. The boom years gave a tremendous equity boost to those already owning homes but shut out many would be first-time buyers.

continued on page 8

CMHC to Release Study on Historical Affordability Trends for Canada's Urban Centres

Does your market toe the national line or buck the trend? How does it vary from the national average or your closest neighbour? These questions can all be answered by looking at the trends in affordability for individual urban housing markets. Because house prices, incomes, heating and property taxes vary across the country so does affordability. CMHC's study on affordability provides a complete historical analysis of affordability trends by Canada's major urban areas.

Canadian Affordability Trends
The Per Cent of Renters Who Can Buy vs 3-yr Mortgage Rates



SOURCE: CMHC.

COSTS AND INCOMES FOR DEMAND AFFORDABILITY INDICATOR

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE* $		MONTHLY MORTGAGE COST $		ANNUAL TAXES* $		ANNUAL HEATING COSTS* $		MONTHLY TOTAL CARRYING COSTS $		INCOME REQUIRED TO CARRY HOUSING COSTS* $	
	JUL-DEC 1994	JUL-DEC 1993	JUL-DEC 1994	JUL-DEC 1993	JUL-DEC 1994	JUL-DEC 1993	JUL-DEC 1994	JUL-DEC 1993	JUL-DEC 1994	JUL-DEC 1993	JUL-DEC 1994	JUL-DEC 1993
Victoria	187,999	188,158	1,521	1,296	1,549	1,484	657	650	1,705	1,474	63,924	55,283
Vancouver	184,629	188,718	1,496	1,300	1,541	1,500	447	430	1,662	1,461	62,330	54,775
Edmonton	103,960	103,422	845	716	2,219	2,023	612	520	1,081	928	40,532	34,798
Calgary	122,893	118,378	999	820	1,303	1,300	607	520	1,158	971	43,425	36,421
Saskatoon	78,234	76,543	636	530	1,570	1,542	646	630	821	711	30,770	26,660
Regina	75,082	74,441	610	515	2,020	1,971	626	610	831	730	31,152	27,392
Winnipeg	79,879	78,411	649	543	2,230	2,181	790	780	901	790	33,784	29,610
Thunder Bay	112,053	108,609	911	752	1,331	1,300	907	890	1,097	934	41,146	35,041
Sudbury	109,046	106,422	886	737	1,571	1,534	836	820	1,087	933	40,758	34,986
Windsor	109,206	104,685	888	725	1,991	1,956	727	711	1,114	947	41,781	35,514
London	122,123	125,443	993	868	1,636	1,550	727	711	1,190	1,057	44,608	39,634
Kitchener	129,990	126,758	1,057	878	2,121	2,107	727	711	1,294	1,112	48,521	41,716
St. Catharines-Niagara	108,371	105,977	881	734	1,883	1,800	690	637	1,095	937	41,072	35,131
Hamilton	137,563	133,814	1,118	926	2,099	2,100	727	711	1,354	1,161	50,761	43,526
Toronto	169,718	167,001	1,379	1,156	2,749	2,670	690	637	1,666	1,432	62,477	53,693
Oshawa	138,746	133,886	1,128	927	2,380	2,322	690	637	1,384	1,174	51,882	44,008
Ottawa	135,022	137,184	1,097	950	2,935	2,795	751	694	1,405	1,240	52,671	46,518
Hull	97,689	96,183	794	666	1,941	1,900	1,273	1,250	1,062	928	39,820	34,815
Montreal	102,019	102,019	829	706	1,937	1,900	1,242	1,220	1,094	966	41,029	36,236
Trois-Rivières	68,539	72,011	557	499	1,409	1,398	1,323	1,300	785	723	29,428	27,127
Sherbrooke	79,272	78,838	644	546	1,579	1,570	1,353	1,330	889	787	33,324	29,531
Quebec	89,370	86,741	726	601	2,144	2,111	1,353	1,330	1,018	887	38,167	33,273
Chicoutimi-Jonquière	72,018	68,726	585	476	1,527	1,515	1,404	1,380	830	717	31,110	26,890
Saint John	72,190	72,190	587	500	1,113	1,089	1,165	1,150	777	686	29,121	25,739
Halifax	101,745	100,363	827	695	1,367	1,323	1,000	1,000	1,024	888	38,407	33,316
St. John's	92,581	92,190	752	638	1,095	1,088	1,189	1,190	943	828	35,355	31,053
Charlottetown	77,000	79,093	626	548	1,358	1,271	1,033	1,020	825	738	30,942	27,694

Sources: CMHC and Natural Resources Canada.
Note that the taxes do not include any rebates.
** Revised figures in some areas since last publication due to rebasing of indicator. See text box on rebasing of indicators.*

Affordability Trends in Canadian . . .
continued from page 6

House prices soared in the mid-to-late eighties dragging down affordability. Although renter incomes doubled from 1980 to 1990 they couldn't keep up with the explosion in prices. The share of renters who could buy dropped from 25 to 6.3 per cent from 1980 to the first half of 1990.

From 1981 to 1989, the average starter home price nearly quadrupled, rocketing from $52,375 to $197,712. However, in 1989, the tide started to turn in Toronto as the recession pulled down housing demand. Prices declined, and with some help from falling mortgage rates, affordability began its steady upward climb through to the second half of 1993, when the share of renters who could buy peaked at nearly 30 per cent.

Rising Prices In Vancouver Keep Affordability Down

Like Toronto, house prices have played a key role in homeownership affordability in Vancouver.

Prices went on a roller coaster ride in the early 1980s taking affordability along with it. From 1980 to 1981, the average starter home price jumped 35 per cent — from $64,000 to $86,500.

The share of renters who could buy plummeted from 18.5 per cent in 1980 to just over five per the following year. The surge in mortgage rates also played an important part in this drop in affordability.

Prices then fell to $79,000 in 1982 and the share of renters who could buy eased up to just over 9 per cent . In 1984, prices began a steady upward climb which continued until the first half of 1990. However, affordability improved up to 1986 in spite of the rising prices, because mortgage rates were coming down in 1985. After reaching a plateau in 1987, affordability declined as mortgage rates marched upward until the first half of 1990.

Despite strong renter income growth of 40 per cent from 1985 to 1990, Vancouver renters felt the pinch of rising mortgage rates and prices in the late eighties. By the first half of 1990, the share of renters who could buy hit a low of 14.2 per cent.

Access to homeownership improved in the second half of 1990, as both prices and mortgage rates dropped. However, since the second half of 1992, affordability has declined as prices took off due to a boom in housing demand. ■

DEFINITIONS

DEMAND AFFORDABILITY INDICATOR

Per Cent of Renters Who Can Afford:
This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:
The average starter house price is defined as the average price for an NHA insured existing home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period. This price excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are CMHC estimates.

Heating Costs:
Average heating costs representative of a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs:
Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:
The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization period. An average mortgage rate of 7.8 per cent was used for the last half of 1993 and a rate of 9.8 per cent was used for the last half of 1994.

SUPPLY INDICATORS

Renter Household Types:
Renter households aged 20-44 who have the potential to become home owners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicators.

Maximum Affordable House:
Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 9.8 per cent is used and a 10 per cent down payment is assumed.

Resale Supply Available:
The per cent of MLS active listings at or below the maximum affordable house price.

Most Prevalent Resale House Types:
The house types most often listed in the supply of active MLS listings. The house types are not exclusive of other house types that could also be included in the supply available.

Affordable New Construction:
The per cent of new single, semi, apartment or row dwellings sold at or below the maximum affordable house price.

**Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre,
Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.**

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**Annual subscription (4 issues) $44 + GST
Catalogue No. CMHC/CHME
Single issue $11 + GST
Catalogue No. CMHC/CHME-1995-01.**

**Cette publication est aussi disponible en français sous le titre
Marchés de l'habitation canadiens
Numéro de catalogue CMHC/CHMF.**

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**ISSN 1188-4487
Printed in Canada**

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MARKETS
CMHC Market Analysis Centre
Second Quarter 1995

University of Toronto

Homebuying cycles favour first-time buyers in 1990s

First-time home purchases peaked during 1990-94 even though overall homebuying was below levels experienced in the late 1980s. An update of CMHC's study of homebuying cycles (first published in *Canadian Housing Markets* in January 1991) establishes that buyers' market conditions in many Canadian markets in the early and mid 1990s were due to chronically weak move-up markets. These market conditions have been a boon to the first-time buyer.

Data in this study is from Statistics Canada's annual Household Incomes, Facilities and Expenditures survey (HIFE) which questions households about the year they moved and whether they owned their current and previous homes. Repeat buying was estimated from total owner households that were owners prior to moving. First-time buying was estimated from mover owners who formed new households or who moved from rental units.

Over 260,000 bought their first homes yearly since 1990

An annual average of about 264,000 first-time purchases occured in 1990-92 while most centres had "buyers' markets". This was up from 249,000 in 1987-89 when most centres, particularly in southern Ontario locations, had stronger overall demand. Total purchases fell to 495,000 yearly in 1990-92 from 532,000 in 1987-89.

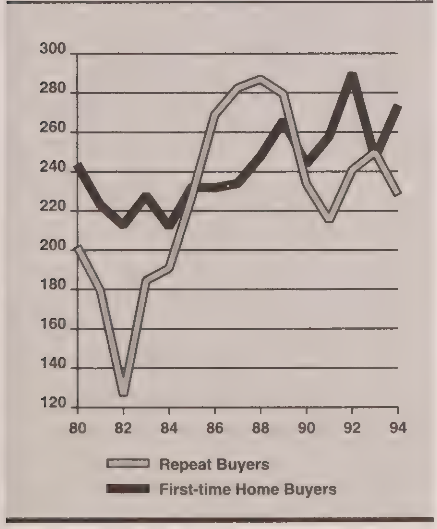
First-time buying rose after 1990 because affordability improved when mortgage rates were on a downward path. Also, both the introduction of First Home Loan Insurance Program (FHLI) and federal tax provisions allowing downpayment deductions through RRSPs pushed first purchases to a record 290,000 in 1992. FHLI facilitates buying through smaller downpayments.

CMHC's preliminary 1993-94 estimates put first-time buying at about 260,000 on average (1992 is the latest year with a full year of available survey data).

Repeat buying down 18% since 1989

Lower home sales after 1989 are rooted in the repeat buying segment which is a large source of revenue for the housing industry. Repeat buyers possess continued on next page

Number of Canadian home buyers (000s)



Source: Statistics Canada HIFE Surveys 1983-93

Per cent of repeat buyers

	1980	1982	1984	1986	1988	1990	1992
Atlantic	43	36	40	43	46	40	45
Quebec	39	21	36	53	46	45	38
Ontario	50	38	55	59	59	50	41
Manitoba/Sask	46	35	54	51	52	47	46
Alberta	53	34	37	44	46	50	39
British Columbia	61	37	46	51	57	51	62
Canada	48	34	47	54	54	49	45

Source: Statistics Canada HIFE Surveys 1983-93

CMHC SCHL
Helping to house Canadians
Canada

continued from page 1 home equity enabling them to pay for a more expensive home.

An average of 231,000 repeat home purchases occurred yearly in 1990-92, a drop of 18 per cent from 283,000 in 1987-89. As a result, repeat buyers, who were in the majority in the late 1980s became the minority everywhere but in British Columbia.

The 1980-92 data shows annual repeat buying fluctuated twice as much as first-time buying on the market cycle. The highest and lowest year for home sales ranged by about 80,000 for first purchases and 160,000 for repeat purchases. Over these years, both first and repeat purchases account for close to an equal share of sales. The repeat market occupied between 45 and 54 per cent of the market over time, and it is now at the low end of this range.

Repeat homebuying includes move-up and move-down buying and lateral moves where people buy a home worth within $20,000 of their previous home. About two-thirds of repeat buyers are move-up buyers. Hence, the repeat buying cycle is dependent on the fortunes of move-up buyers.

Move-up buyers are at a greater disadvantage in "buyer's market" conditions that occur in the down stage of a market cycle. They face the added and often difficult hurdle of having to sell an existing home before buying another. And if house prices are declining or stable, they may have less home equity for use in buying another home.

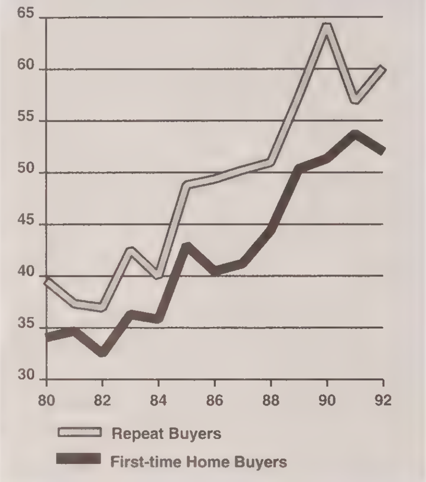
The most active repeat buyer markets in Canada occurred while the market cycle was on its way up or close to the top. Examples are B.C. at about 1980 and during the 1990s, when repeat buying occupied over 60 per cent of the market, and in Ontario in the late 1980s when it occupied up to 59 per cent of the market. These repeat markets were fed by strong income growth and migration and were reinforced in the later stages by rising prices and equity gains.

Lower income households have been buying more in the 90s

The 1990-92 data also shows that the average income of first-time buyers declined while the market cycle was at a low. Their average incomes dropped from about $54,000 in 1991 to about $52,000 in 1992 mainly because affordability improved, enabling more lower income households to buy homes. Real incomes of first homebuyers began falling after 1989 when the average income of households buying a first home was $56,000 expressed in 1992 dollars (or $50,000 in current 1990 dollars).

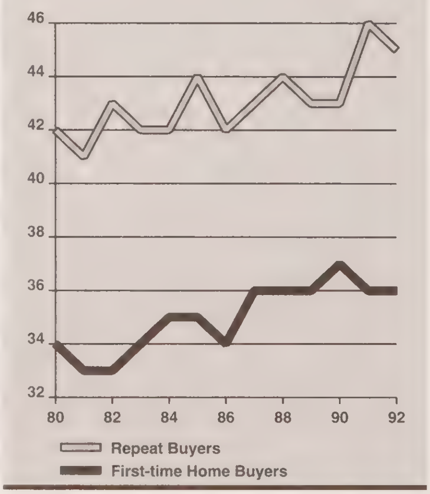
In the 1990s, as market conditions became more favourable to the first-time buyer and down payment requirements diminished, buying rose mainly among households well above and well below the average level for first-time buyers. This segment of the market remained steady within the age group in which the average person buys his first home, e.g., 30-34, but continued on page 7

Average household incomes of Canadian home buyers ($000s)



Source: Statistics Canada HIFE Surveys 1983-93

Average age of Canadian home buyers



Source: Statistics Canada HIFE Surveys 1983-93

Find out more about homebuying cycles

A complete set of national and regional tables on first-time and repeat buying is being offered by CMHC in hardcopy and spreadsheet form. All the data compiled for use in this article is provided including numbers of first time and repeat homebuyers by year and age group along with homebuying propensities by age, average buyer age and income. The spreadsheets, which are in Lotus 123 (ver 2.0 format), can be used to manipulate the data according to your research objectives and to integrate the results in your own data files. The data can be obtained for only $40 by calling (613) 748-2344 and using your Visa or Mastercard.

Housing markets expected to do better in second half of 1995

FORECAST HIGHLIGHTS

- ***With low activity in the first half of 1995, new housing construction will be down 14 per cent and resales 9 per cent in major urban centres in 1995***
- ***Activity is expected to slowly improve in the second half***
- ***Higher starts are forecast in five centres but only Calgary will see higher resale activity***
- ***Toronto to continue lagging other southern Ontario centres***
- ***Employment will grow in 25 centres; Toronto to see biggest gains with an increase of over 4 per cent***

A rise in mortgage rates early 1995 together with continuing job market uncertainties have deflated consumer confidence. As a result, CMHC is now forecasting about 14 per cent fewer housing starts and 9 per cent fewer resales for all urban centres combined. This is a revision from *Canadian Housing Markets'* earlier forecast released six months ago when starts and resales in 1995 were expected to be about the same as in 1994.

Fewer starts are expected in 22 of the 27 centres, with declines ranging from 44 per cent in Hull to 2 per cent in Halifax.

The projected 14 per cent decrease in starts in major centres is more optimistic that the national forecast, which calls for a decline of 17 per cent. The national drop will be driven mainly by a downturn in smaller urban and rural centres. (See CMHC's 2nd quarter 1995 *National Housing Outlook* for more nformation on the national forecast.)

Overall, resales will decline 9 per cent across major urban centres in 1995. This loss of steam will be widespread across the country with resale activity increasing in only one of the 27 major markets. Calgary is forecast to increase two per cent, a turnaround after almost 11 per cent fewer sales in 1994.

Average prices for new single family homes will rise in 20 of the 27 major markets, and for resale homes in 12 major markets. Price increases for new single homes will range from 0.2 per cent in Hull to 4.6 per cent in Saskatoon. For many markets, the increases in 1995 will be the result of less activity from first time buyers and higher priced homes being purchased by move-up buyers representing a bigger share of the total market.

Job growth will occur in many markets in 1995 but will not be enough to drive the housing market. Average employment growth in major urban centres will be 2.1 per cent in 1995, similar to 1994. As a result, almost 8.53 million Canadians in major urban centres will have jobs in 1995, which is above the pre-recession peak of 8.06 million jobs. The largest percentage increases are forecasted to be in Toronto (4.3), Windsor (3.9), Kitchener (3.4), Sudbury (3.2) and Thunder Bay (3.1).

Second half of 1995 looks better for new construction for some centres

The performance of the housing market will pick up in the second half of the year as interest rates level off and consumer confidence, particularly for first-time buyers, strengthens. However, this will not come soon enough or strongly enough to cause overall 1995 housing markets to rise.

Although total housing starts in major urban centres will be down by 14 per cent in 1995, five centres will see increased starts over the year. They are Thunder Bay (29.5), Windsor (8.4), Kitchener (5.9), Hamilton (2.4), and the only centre outside Ontario will be Regina (24.5).

In Thunder Bay, higher starts will be due largely to multiple construction. The construction of condominiums will triple this year to 113 units. Opportunities for condominium development have been identified in Thunder Bay due to a rising proportion of non-family households and seniors.

Both Windsor and Kitchener are forecast to have a second consecutive year of construction growth. Windsor's boom is mainly due to healthy employment growth, reflecting an expansion in the automobile sector, employment at the local casino and a number of infrastructure investments. The 1995 forecast for Windsor encompasses a rise in assisted-rental and condominium starts as well as another strong year for the single-family sector. New houses are a large part of the market because they are priced competitively to existing houses.

In Kitchener, starts will rise due to stronger consumer confidence in the wake of brighter job prospects in 1995. Kitchener's moderate employment growth in 1995 builds on a strong job performance in 1994, an increase in the number of high paying jobs, primarily in manufacturing, will increase demand for condominium and semi-detached units despite higher interest rates early in 1995.

In Hamilton, higher mortgage rates will drive up starts of more affordable multiple-family ownership such as townhouses and semi-detached homes, resulting in a 2 per cent increase of total starts.

The Toronto-Oshawa region is forecast to have fewer starts in 1995. A drop of 12 per cent in Toronto and 24 per cent in Oshawa is forecast. Both

continued on page 6

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Victoria	1993	129,400		2,633		249,000¶		7,344		246,700		2.1	1.8
	1994	135,600	4.8	2,303	-12.5	299,000	20.1	6,260	-14.8	256,000	3.8	3.0	1.9
	1995**	138,300	2.0	1,985	-13.8	288,000	-3.7	5,700	-8.9	249,000	-2.7	4.1	2.5
Vancouver	1993	816,200		21,307		444,340		31,150		349,601		2.0	1.1
	1994	848,400	3.9	20,473	-3.9	497,656	12.0	30,023	-3.6	387,177	10.7	1.4	0.8
	1995**	865,700	2.0	17,800	-13.1	520,000	4.5	26,400	-12.1	405,000	4.6	1.3	0.8
Edmonton	1993	425,000¶		6,720		170,653		11,489		122,701		5.5	6.5
	1994	439,000	3.3	5,006	-25.5	163,759	-4.0	9,766	-15.0	124,806	1.7	9.1	8.9
	1995**	446,500	1.7	4,150	-17.1	162,000	-1.1	8,600	-11.9	120,000	-3.9	10.2	9.3
Calgary	1993	396,500¶		6,629		176,763		17,001		131,936		7.0	5.9
	1994	406,400	2.5	6,877	3.7	177,156	0.2	15,144	-10.9	132,495	0.4	6.3	5.1
	1995**	412,400	1.5	6,000	-12.8	180,000	1.6	15,500	2.4	135,000	1.9	4.6	4.2
Saskatoon	1993	101,400¶		593		137,606		2,750		78,993†		6.7	2.7
	1994	104,400	3.0	682	15.0	140,035	1.8	2,754	0.1	81,720†	3.5	4.0	1.8
	1995**	105,000	0.6	625	-8.4	146,500	4.6	2,750	-0.1	84,000†	2.8	2.3	2.0
Regina	1993	99,300¶		563		147,262		2,690		72,781†		4.6	3.6
	1994	99,900	0.6	462	-17.9	145,542	-1.2	2,791	3.8	73,747†	1.3	4.1	3.2
	1995**	100,900	1.0	575	24.5	146,000	0.3	2,650	-5.1	75,000†	1.7	3.3	2.9
Winnipeg	1993	327,580¶		1,540		137,810		9,604		83,060		5.7	5.9
	1994	330,170	0.8	1,528	-0.8	140,155	1.7	9,923	3.3	84,812	2.1	5.4	5.6
	1995**	334,500	1.3	1,425	-6.7	142,260	1.5	9,250	-6.8	86,000	1.4	4.7	5.1
Thunder Bay	1993	57,683		537		176,206¶		1,455		114,964		3.2	2.7
	1994	58,100	0.7	451	-16.0	176,540	0.2	1,453	-0.1	115,289	0.3	4.4	4.1
	1995**	59,900	3.1	584	29.5	180,070	2.0	1,380	-5.0	112,983	-2.0	6.4	6.2
Sudbury	1993	74,000¶		715		161,049		1,891¶		113,869		5.1	3.8
	1994	75,000	1.4	712	-0.4	147,003	-8.7	1,754	-7.2	112,278	-1.4	5.1	4.3
	1995**	77,400	3.2	650	-8.7	148,900	1.3	1,600	-8.8	113,000	0.6	6.2	5.0
Windsor	1993	121,000¶		1,222		190,608		4,545		109,214		3.1	2.6
	1994	127,000	5.0	1,661	35.9	191,986	0.7	4,980	9.6	116,457	6.6	2.6	1.6
	1995**	132,000	3.9	1,800	8.4	195,000	1.6	4,600	-7.6	117,500	0.9	1.3	0.7
London	1993	207,000¶		2,522		226,382		5,802		133,835		3.9	3.8
	1994	211,000	1.9	1,972	-21.8	202,800	-10.4	5,793	-0.2	134,089	0.2	4.4	3.9
	1995**	215,000	1.9	1,825	-7.5	204,000	0.6	5,400	-6.8	134,000	-0.1	3.9	3.7
Kitchener	1993	196,000		1,705		179,110		3,583		138,74	1	5.3	4.3
	1994	204,000	4.1	1,747	2.5	179,200	0.1	3,689	3.0	141,711	2.1	4.2	2.8
	1995**	211,000	3.4	1,850	5.9	183,000	2.1	3,650	-1.1	145,000	2.3	2.6	2.6
St. Catharines-Niagara	1993	147,000¶		1,015		177,662		2,303¶		124,630¶		5.3	4.9
	1994	153,200	4.2	1,703	67.8	166,929	-6.0	2,567	11.5	125,503	0.7	6.0	5.8
	1995**	156,500	2.2	1,150	-32.5	170,350	2.0	2,290	-10.8	124,280	-1.0	4.9	4.2
Hamilton	1993	296,000¶		2,989		213,717¶		7,747		143,432		2.8	2.7
	1994	312,000	5.4	2,833	-5.2	205,183	-4.0	8,345	7.7	145,939	1.7	2.7	2.4
	1995**	313,000	0.3	2,900	2.4	207,000	0.9	8,200	-1.7	146,000	0.0	2.4	2.3
Toronto	1993	2,053,000¶		15,637		307,244		38,990		206,490†		2.1	2.0
	1994	2,043,000	-0.5	18,443	17.9	291,596	-5.1	44,237	13.5	208,921†	1.2	1.8	1.2
	1995**	2,130,000	4.3	16,200	-12.2	295,000	1.2	38,000	-14.1	204,000†	-2.4	1.0	0.7

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATES APR. %	OCT. %
Oshawa	1993	125,000¶		1,409		190,839		4,655		136,377		5.8	4.6
	1994	126,000	0.8	1,963	39.3	177,055	-7.2	4,467	-4.0	139,788	2.5	4.1	3.4
	1995**	130,000	3.2	1,500	-23.6	175,000	-1.2	4,100	-8.2	138,000	-1.3	2.6	1.9
Ottawa	1993	335,900		4,421		205,065		7,812¶		145,675†¶		1.8	1.8
	1994	349,100	3.9	3,929	-11.1	198,492	-3.2	7,620	-2.5	147,543†	1.3	2.5	2.6
	1995**	341,419	-2.2	2,676	-31.9	194,800	-1.9	5,610	-26.4	143,800†	-2.5	3.4	2.9
Hull	1993	138,920		2,367		126,740¶		1,711		105,089		3.6	4.5
	1994	140,580	1.2	2,128	-10.1	127,703	0.8	1,634	-4.5	104,479	-0.6	4.7	6.6
	1995**	142,280	1.2	1,200	-43.6	128,000	0.2	1,450	-11.3	103,000	-1.4	5.6	5.6
Montreal	1993	1,375,000		13,729		134,525		17,242		117,009		6.4	7.7
	1994	1,411,000	2.6	13,157	-4.2	137,602	2.3	18,100	5.0	116,307	-0.6	6.4	6.8
	1995**	1,426,000	1.1	10,500	-20.2	135,000	-1.9	16,900	-6.6	116,000	-0.3	5.8	6.8
Trois-Rivières	1993	51,900		783		92,415¶		709		71,500&		7.0	6.5
	1994	52,300	0.8	938	19.8	93,670	1.4	666	-6.1	72,500&	1.4	6.3	7.4
	1995**	52,800	1.0	885	-5.7	96,000	2.5	645	-3.2	73,500&	1.4	7.3	7.5
Sherbrooke	1993	56,000		778		101,560		813		86,000	7.6	8.0	7.6
	1994	57,250	2.2	983	26.3	101,100	-0.5	859	5.7	84,800	-1.4	6.2	8.0
	1995**	58,300	1.8	890	-9.5	103,300	2.2	770	-10.4	84,000	-0.9	6.2	7.1
Québec	1993	286,300		4,699		96,800		3,887¶		83,000‡¶		5.3	6.0
	1994	298,800	4.4	4,677	-0.5	96,300	-0.5	3,988	2.6	84,000‡	1.2	5.7	6.9
	1995**	302,800	1.3	4,200	-10.2	97,000	0.7	3,700	-7.2	84,750‡	0.9	5.6	6.3
Chicoutimi-Jonquière	1993	53,170		668		79,700		1,437§		78,100		5.4	6.3
	1994	51,000	-4.1	606	-9.3	78,500	-1.5	1,295§	-9.9	78,300	0.3	5.3	6.3
	1995**	51,500	1.0	560	-7.6	76,200	-2.9	1,220§	-5.8	76,700	-2.0	5.5	5.6
Saint John	1993	56,000		471		115,282		1,089		87,329		7.7	6.3
	1994	55,000	-1.8	442	-6.2	107,442	-6.8	963	-11.6	84,430	-3.3	8.7	8.0
	1995**	54,000	-1.8	400	-9.5	110,000	2.4	925	-3.9	86,000	1.9	8.8	8.5
Halifax	1993	158,900¶		2,127		121,500		4,637		102,500		7.1	6.3
	1994	164,500	3.5	2,460	15.7	124,500	2.5	4,670	0.7	103,481	1.0	7.2	7.2
	1995**	167,132	1.6	2,400	-2.4	126,500	1.6	4,400	-5.8	104,723	1.2	7.2	7.4
St. John's	1993	77,000¶		1,137		124,000		1,741		92,319		7.9	8.8
	1994	80,000	3.9	1,215	6.9	122,000	-1.6	1,783	2.4	92,011	-0.3	10.6	7.1
	1995**	81,000	1.3	1,100	-9.5	122,500	0.4	1,675	-6.1	91,000	-1.1	9.1	9.6
Charlottetown	1993	25,300		341		125,600		240		94,500		7.2	4.8
	1994	25,750	1.8	276	-19.1	116,300	-7.4	242	0.8	97,440	3.1	7.4	6.2
	1995**	26,400	2.5	260	-5.8	115,000	-1.1	225	-7.0	95,000	-2.5	9.8	7.6
ALL	1993	8,186,453		99,257		—		194,317		—		4.6	4.8
METRO	1994	8,358,450	2.1	99,627	0.4	—		195,766	0.7	—		4.6	4.6
AREAS	1995**	8,531,731	2.1	86,090	-13.6	—		177,590	-9.3	—		4.2	4.4

** Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

*** 1995 values are CMHC forecasts except for the 1995 April vacancy rates which are actuals.*

† Average MLS price.

¶ Revised figure.

& Benchmark house price.

‡ Average price for single-detached, semi-detached, row and apartment condo.

§ Sales data is from TEELA.

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 3 markets had strong starts activity in 1994 mainly due to affordability gains in the early part of the year which have been partly lost in the first few months of 1995 due to higher interest rates.

The accompanying chart "Hottest and Coolest Markets for New Single Houses in 1995" shows the relative position of Canada's 27 major markets by comparing how starts and average prices are forecast in 1995.

The "coolest" markets are those which are forecast to have both declining starts and prices relative to 1994. These markets are identified in the bottom left quadrant.

The "hottest" markets are those which are forecast to have the highest increases in both starts and average prices. As shown in the top right quadrant, Saskatoon, Regina, Trois-Rivières and Thunder Bay are forecast to be the "hottest" markets for new singles in 1995.

In Saskatoon and Regina, single starts will increase slightly more than 8 per cent in 1995, representing 400 units and 425 units respectively. These increases will be largely driven by the return of move-up buyers taking advantage of a stronger resale market.

Trois-Rivières and Thunder Bay are the other "hottest" centres where both prices and starts of new singles will rise. Sustained demand for single homes, as interest rates ease in the second half of the year, will push prices higher.

Ottawa will be the "coolest" market where both price and starts of singles will decrease in 1995. This will be Ottawa's second consecutive year of declining single starts, with a 41 per cent drop that can be explained by a weakening demand due to uncertainties related to the federal government job cuts now underway.

As shown in the bottom right of the chart — the majority of markets are forecast to be "Lukewarm". These markets will have fewer single starts but increasing average prices. In many markets higher average prices will be due to an increasing share of move-up buyers and a smaller proportion of first-time buyers.

Resale market also to improve in second half

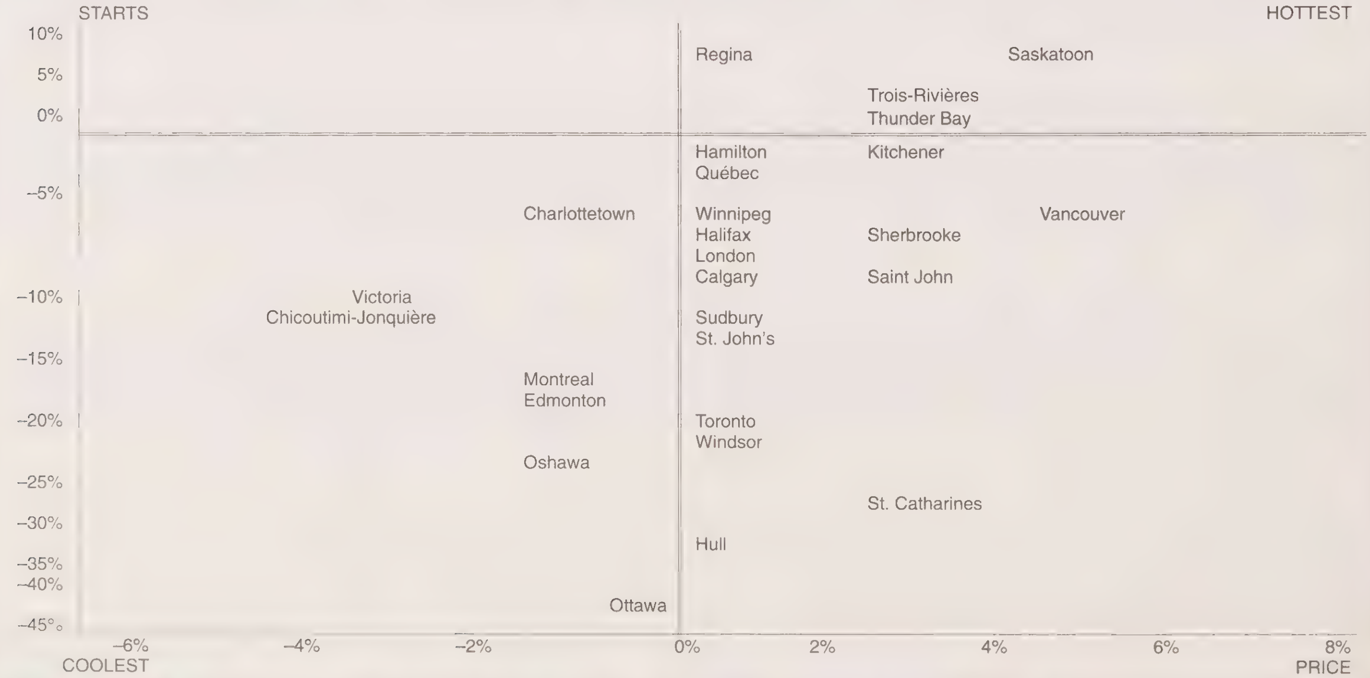
As with the new housing market, the performance of the resale market will pick up in the second half of the year as interest rates level off and consumer confidence gains strength. However, this will not be enough to cause overall 1995 house sales to rise in more than one of the 27 major centres, while sales for all centres combined will be 9 per cent lower than in 1994.

Calgary will be the only centre with an increase in resales. The local forecast indicates sales will recover by 2 per cent from the eight-year low registered in 1994. As in many markets, the rebound will be concentrated in the second half of the year, as interest rates ease and move-up buyers account for a greater portion of sales.

Despite the easing in interest rates in the second half of the year, resales in all other major centres will decline in 1995 in relation to 1994. The biggest declines will be in Ottawa (-26.4), Toronto (-14.1), Vancouver (-12.1) and Edmonton (-11.9) followed closely by Hull (-11.3).

What's more, for the first time in five years, the price of a typical resale home in Vancouver is expected to remain the same in 1995. However, average prices will rise by nearly 5 per cent because of an increase proportion of more expensive homes being sold. ■

Hottest and coolest markets for new single houses in 1995



continued from page 2 rose 16 per cent among the 45-54 age group.

Buying patterns indicate that traditional renters and households previously prevented from buying a first home were doing a great deal of catch up buying in this period.

Slow comeback for repeat home market

First time and repeat homebuying trends help identify major forces that shape demand so that market opportunities can be identified. For the next 2-3 years, trends indicate that the repeat market will continue to recover extremely slowly and that the first-time market has already entered a phase in which it will be less active than it was in 1990-94.

Impediments to the move-up market appear to be economic and market related since the population in age groups that traditionally buy the most repeat homes has never been greater. Economic factors include changes in the job market which cause job uncertainty despite employment growth, low consumer confidence, higher consumer debt and higher levels of taxation. These impediments are forcing many Canadians to delay buying a move-up home or to tone down their expectations regarding their next home.

As for the the first-time market, it has not just been impacted by higher mortgage rates. It also cannot sustain the exceptional pace it saw in 1990-94. In addition, because baby boomers are aging, the potential homebuying population has started a gradual decline. CMHC projects households with heads 25-44 will decline about 2 per cent yearly in 1996-2001 after leveling off during 1991-96.

A continuing slow recovery in the move-up market along with a slowdown in the first-time markets indicates that a period of slower home sales is at hand. Hence the weakening market performance in the first half of 1995, and the more downbeat market outlooks in the accompanying article.■

Note: Readers familiar with our previous article may note that previous homebuying estimates for 1980-84, and 1986 were revised on the basis of information obtained from subsequent surveys.

STAY INFORMED!

Get more details about the new home and resale market forecasts for any major urban centre identified in **Canadian Housing Markets**. Twice a year, CMHC publishes Housing Forecast Reports for 27 urban markets across Canada. For more information about the **Housing Forecast** for a centre near you, call (613) 748-2966.

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 4 & 5)

Total Employment:

Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:

Total housing starts is defined as the total number of starts for all housing types for the year.

Single New House Price:

The single new house price is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):

The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:

The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rates:

The three-unit plus apartment structure vacancy rate is the overall private market vacancy rate reported in the Rental Market Survey for both April and October.

Buyers Want Energy Efficient Green Homes

A CMHC study on Consumer Preferences in the 1990s shows that buyers put features that have to do with energy efficiency and the environment high in their checklist when buying a new home. In the survey, Canadians were asked a number of questions relating to the features they want in their next home.

Four of the top five and five of the top ten consumer preferences were related to energy efficiency and the environment.

A number of reasons were cited for buying homes with these features. The most important was to save money through lower energy and water bills. For example, super energy efficient R-2000 homes can lower energy bills between 25 and 50 per cent. There were also the views that new homes with these features give homeowners a higher resale value and that energy efficient features increase the durability of homes.

In addition to the economic considerations, respondents also indicated that these features were important because they increased the comfort of their home, improved indoor air quality and helped promote environmental considerations.

The survey results also revealed that many Canadians are aware that R-2000 homes contain most if not all of the energy efficiency and environmental features they are looking for. Surprisingly though, 50 per cent of respondents were either not aware of the R-2000 concept, or not sufficiently aware to comment either positively or negatively about it.

Of those who were aware, 75 per cent indicated that R-2000 homes are a good idea. Fewer than 20 per cent felt these homes were not a good idea, citing concerns about indoor air quality or the added expense of building a R-2000 home, estimated at between $ 6,500 to $ 8,500 for a single family home.

When Canadians were asked about the pay-back period to justify an expenditure on an energy-efficient feature for their home, most said they expect to reach a break-even point in one to five years, with the largest single group (47 %) indicating three years.

Overall, the survey findings show that Canadians think new home features that increase energy efficiency and help the environment are good ideas and extremely important in the decision making process for their next home.

Surprisingly, about half of all potential home buyers are not aware that the energy efficient environmental options they want in their future home are available today through comprehensive and programs like R-2000 or from a wide range of features that builders can easily provide.

The research study is entitled "Consumer Housing Preferences in the 1990's: An In-depth study of What Baby Boomers, Empty Nesters and Generation X Want in Housing – Now and in the Future." For further information on how to purchase this study call 1-800-668-CMHC.■

Preferred Features of New Home

	Per Cent*
1. More efficient windows	**78**
2. More efficient insulation	**75**
3. Water conserving fixtures and appliances	**49**
4. More efficient lighting	**48**
5. Easy/less maintenance	40
6. Playroom/family room	39
7. Computer controlled air exchange	**30**
8. Fireplace	25
9. Appliances included	24
10. Security system	22

** Per cent indicating extremely important, Multiple responses possible. Responses pertaining to energy and the environment indicated above in bold.*

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

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Annual subscription (4 issues) $44 + GST
Catalogue No. CMHC/CHME
Single issue $11 + GST
Catalogue No. CMHC/CHME-1995-02.

Cette publication est aussi disponible en français sous le titre ***Marchés de l'habitation canadiens*** **Numéro de catalogue CMHC/CHMF.**

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ISSN 1188-4487
Printed in Canada

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
Third Quarter 1995

Rates slide in the first half of 1995 boosting affordability

Affordability has rebounded in 1995 after sliding in the last half of 1994. A drop in mortgage rates and flat house prices have boosted affordability. The percentage of renters who can afford to buy a starter home has risen to 30 per cent in the first half of 1995, up from 27 per cent in the last part of 1994.

However, average affordability in the first six months of 1995 was still below the same period last year. In the first half of 1994, one-third of renters could afford to buy. Record low mortgage rates early last year which cut carrying costs for home-buyers have not been repeated in 1995. On a positive note, recent declines in rates have lowered monthly payments and lifted affordability.

Spring rate drops bode well for rest of 1995

Mortgage rates have fallen by more than two percentage points between January and the end of July. By July, affordability had surpassed the first half 1994 level. At July's rate of 8.125 per cent, 35.5 per cent of renters could afford to buy — up two percentage points from last year's January to June average. The three-year mortgage rate, which is the basis for CMHC's affordability indicators, was as high as 10.5 per cent in January.

For the remainder of 1995, CMHC expects mortgage rates to level out and the three-year rate should average close to 8 per cent over the last six months. House prices are also forecast to remain fairly stable in most centres over the next six months as demand remains moderate. The combination of slow price movement and lower mortgage rates will spell a modest improvement in affordability in the coming months. In the last half of 1995, 36 per cent of renters are expected to be able to afford their first home.

Affordability in the biggest three centres: Montreal, Toronto and Vancouver

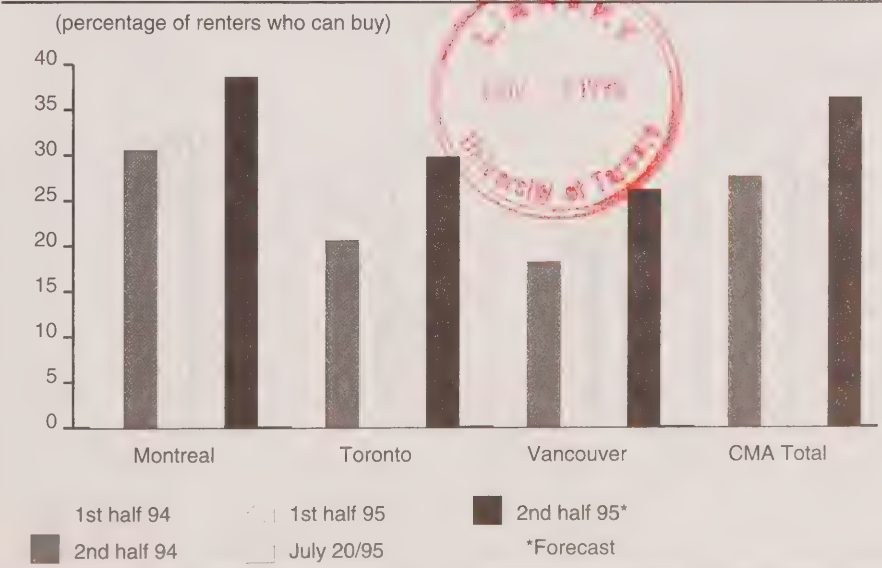
Montreal remains the most affordable of the largest centres due to its relatively low prices and abundant supply of homes on the market. The share of Montreal renters who could buy is nearly ten percentage points higher than in Toronto. A starter home in Montreal averages just over $100,000.

In Toronto, 23.2 per cent of renters could afford to move into their first home in the first six months of 1995. This is up from 20.7 per cent in the last half of 1994 and nearly four times the low reached in 1990 of 6.3 per cent. Like Montreal, prices remain flat in Toronto and this has helped contribute to affordability gains since the last half of 1994. The average priced starter home in Toronto is $169,000.

Vancouver has seen some price moderation over the last six months but affordability remains low because of the high price tag on homes. Just under 20 per cent of renters can afford to purchase a house in the first two quarters of 1995. Vancouver has the most expensive starter homes in the nation, with an average price of $188,000.

continued on next page

Affordability up in 1995



SOURCE: CMHC.

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Last spring's first-time buying boom not repeated in 1995

Last spring's explosion in first-time buying was not repeated this year. Loan approvals under CMHC's First Home Loan Insurance Program (FHLI or Five Per Cent Downpayment Plan) fell by 22 per cent in the first half of 1995 compared to the same period last year.

This drop is not surprising considering that last year's boom was set off by mortgage rates which were at record lows and beginning to climb, and a stronger job market. Three-year mortgage rates which bottomed out at 6.5 per cent in early 1994, averaged over 9.5 per cent in the first six months 1995.

However, when compared with the first half of 1993, when mortgage rates were actually about 1 percentage point less than the first half average in 1995, FHLI activity is up 28 per cent. Thus, although first-time buying activity is down, it is still quite strong relative to 1993. In addition, recent decreases in mortgage rates have led to a pick up in loan approvals.

Most affordable in the east or Saskatchewan

The most affordable areas in Canada are found in the east or in Saskatchewan. Chicoutimi, the most affordable place in Canada, saw half of its renters in a position to buy in the first two quarters of 1995. This is because Chicoutimi has the lowest average starter home price of all centres — $67,000.

At least 40 per cent of renters were able to buy their first home in Saint John, Charlottetown, St. John's Regina, Halifax and Trois-Rivières. Lower house prices are the key in making these centres very affordable.

Not surprisingly, the least affordable areas are in Victoria, Vancouver and southern Ontario centres. Victoria the least affordable place in Canada has the second highest starter home price at $177,000. As a result, carrying costs on a mortgage are relatively high leaving only 17 per cent of renters in Victoria able to afford homeownership. ■

In the Next Issue to be released December 14 Canada Mortgage and Housing Corporation will be reporting the first 1996 forecast for Census Metropolitan Areas

The Percentage of Renters Who Can Afford to Buy a Starter Home — 1994 to 1995

(Ranked from Highest to Lowest Based on Total Households January to June 1995)

CENSUS METROPOLITAN AREAS (CMA)	1st half of 94	2nd half of 94	1st half of1995		
	Total*	Total*	Total	Family	Non-Family
Chicoutimi	51.9	46.6	50.6	57.5	36.0
Saint John	47.6	46.3	43.8	46.7	38.1
Charlottetown	46.7	39.8	43.1	48.1	36.9
St. John's	44.1	37.6	42.7	41.8	44.4
Regina	44.8	40.8	41.5	45.0	37.6
Halifax	44.0	38.9	40.9	47.8	31.4
Trois-Rivières	43.0	40.3	40.9	48.9	29.8
Québec	40.5	33.5	39.2	49.8	27.1
Hull	40.2	35.2	39.0	46.5	25.7
Saskatoon	42.7	39.5	39.0	44.2	33.2
Edmonton	42.4	37.2	38.7	45.3	30.2
Thunder Bay	39.3	33.8	37.5	44.0	27.3
Calgary	40.7	33.5	36.5	43.6	27.9
Sherbrooke	38.9	33.7	36.1	45.1	24.1
Winnipeg	39.5	34.9	35.6	42.4	27.7
Sudbury	38.3	33.2	34.3	40.6	23.1
Montreal	35.7	30.6	32.8	42.2	20.7
Oshawa	37.2	30.5	32.7	38.2	19.6
St. Catharines	33.6	28.1	32.5	36.8	24.6
Windsor	35.9	29.1	30.3	34.9	23.3
London	30.8	25.5	29.2	37.0	19.0
Kitchener	31.9	25.2	28.4	34.6	17.8
Ottawa	28.9	24.6	26.6	34.4	17.7
Hamilton	27.6	22.2	24.2	30.6	13.9
Toronto	27.2	20.7	23.2	28.2	16.3
Vancouver	22.4	18.3	19.7	26.7	12.3
Victoria	18.0	12.8	16.8	23.5	9.0
Metropolitan Area Total	33.2	27.7	30.0	37.1	20.8

** Revised in some areas since last publication.*
Source: CMHC.

Half of new homes sold affordable to first timers

Half of the new homes sold in the first six months of 1995 were affordable to potential first-time buyers. This is the same level seen in the January to June period last year. Relatively low mortgage rates, flat prices, and builders continuing to target the first-time buyer account for the high affordability of new homes.

While the overall percentage of affordable new homes sold across all major centres has remained the same as the first half of 1994, individually, most areas saw a drop in new housing affordability. However, because most southern Ontario centres showed big gains, this allowed the national average affordability of new homes to remain stable.

Oshawa and Toronto saw the biggest improvement in new home affordability. In Oshawa, the share of affordable new homes sold shot up from 55 per cent in the first half of 1994, to 80 per cent in 1995. In Toronto, almost half of all homes sold in the first six months of 1995, were within reach of first timers — up from 31 per cent last year. St. Catharines, Hamilton, Kitchener, and Ottawa also saw more affordable new home markets in 1995.

Top Five Most Affordable New Home Markets

Per Cent of New Construction Affordable

Chicoutimi	94
Trois-Rivières	92
St. John's	81
Oshawa	80
Halifax	75

Source: CMHC.

The improvement in affordability in southern Ontario centres is in large part due to an effort by builders to reach first-time buyers with less expensive homes. Prices of new homes have also remained fairly flat in Ontario centres. Apartment and row condominiums and freeholds are becoming the popular choices for first-time buyers.

The most affordable new home markets are still found east of Ontario. Chicoutimi leads the nation with 94 per cent of new home selling for prices a first-timer could afford. The least affordable areas are in southern Ontario, Winnipeg, Victoria and Vancouver. Windsor has the least affordable new home market with just 17 per cent of sales within range of first-time buyers. ■

Nearly half of all resale listings priced within reach of first-time buyer

Nearly half of the listings on the resale market are within reach of prime first-time buyers. Forty-nine per cent of the listings in Canada's major urban areas are affordable to potential first-time buyers.

Overall listings on the market have increased by 18 per cent, and this has kept a lid on prices. Abundant supply, price stability and relatively low mortgage rates are the key factors keeping the resale market affordable.

In 15 of the 23 centres reporting data, at least half of the homes put up for resale are affordably priced. First-time home shoppers have the greatest selection in Regina where over 90 per cent of the homes are affordably priced. At least 70 per cent of the listings are priced to suit first-time buyers in five other centres — St. John's, Saskatoon, Chicoutimi, Saint John and Winnipeg.

Top Five Most Affordable Resale Markets

Per Cent of Listings Affordable

Regina	92
St. John's	84
Saskatoon	80
Chicoutimi	74
Saint John	73

Source: CMHC.

The least affordable resale markets are found in Victoria, Vancouver and southern Ontario. In Victoria, 23.8 per cent of listings are affordable while in Vancouver the figure is 29.8 per cent. However, these are the only housing markets where less than 40 per cent of the resale listings are priced with the grasp of first-time buyers. Even in southern Ontario centres like St. Catharines, Windsor, Kitchener and Ottawa at least 40 per cent of the market is affordable to potential starter homeowners. ■

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1995 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Family	59,586	180,132	35.1	Condo Apartment	39.9
	Non Family	46,634	140,122	14.9	Condo Apartment	20.0
	Total	54,320	164,267	23.8	Condo Apartment	30.0
Vancouver	Family	66,375	205,667	34.2	Newer† Townhouse	39.9
	Non Family	55,047	168,242	23.8	Newer Condo Apt.	27.4
	Total	61,491	189,108	29.8	Older‡ Townhouse; New Condo Apt.	35.5
Edmonton	Family	49,969	144,547	50.2	New 2 Storey; 1 Storey	56.9
	Non Family	41,674	118,339	39.1	New Split; Existing Bungalow	25.4
	Total	46,423	133,503	46.5	New Split; Existing Bungalow	44.1
Calgary	Family	54,143	164,340	N/A	N/A	56.5
	Non Family	45,234	137,299	N/A	N/A	30.2
	Total	50,255	152,538	N/A	N/A	46.9
Saskatoon	Family	51,756	145,168	83.1	Bungalows; Split Level	60.5
	Non Family	46,996	131,819	79.3	Bungalows; Split Level	52.9
	Total	49,794	139,667	80.5	Bungalows; Split Level	58.1
Regina	Family	54,098	149,779	95.6	Bungalow	64.2
	Non Family	49,054	135,812	89.1	Bungalow	53.7
	Total	51,866	143,599	91.9	Bungalow	59.7
Winnipeg	Family	47,299	128,299	79.9	Bungalow; 2 Storey	33.9
	Non Family	38,455	104,310	75.9	Bungalow; 2 Storey	12.9
	Total	43,232	117,267	70.1	Bungalow; 2 Storey	20.6
Thunder Bay	Family	55,555	165,233	76.5	Bungalows; 2 Storey	42.2
	Non Family	42,332	125,905	58.9	Bungalows; 1 Storey; Row/Apt	17.9
	Total	50,205	149,321	68.4	Bungalows; 1 Storey; Row/Apt	27.7
Sudbury	Family	52,682	153,502	74.0	Bungalow	70.0
	Non Family	40,853	119,034	51.0	Bungalow	17.1
	Total	48,647	141,744	69.0	Bungalow	54.3
Windsor	Family	49,796	138,038	47.5	One Floor; 1 Storey; 2 Storey	20.2
	Non Family	41,567	115,225	32.7	One Floor; 1 Storey; 2 Storey	8.8
	Total	46,540	129,010	42.1	One Floor; 1 Storey; 2 Storey	17.3
London	Family	49,643	140,295	56.1	Row Condo; One-floor	37.1
	Non Family	40,538	114,565	32.3	Row Condo; One-floor	13.4
	Total	45,910	129,745	45.6	Row Condo; One-floor	24.7
Kitchener	Family	50,945	142,665	54.4	Row Condo; Semi; 1 1/2 Storey	45.4
	Non Family	40,559	113,581	23.7	Row Condo; Apt Condo	1.0
	Total	47,151	132,041	43.8	Row Condo; Semi; 1 1/2 Storey	35.9
St. Catharines-Niagara	Family	47,266	133,493	50.1	Split Level; Bungalow	67.5
	Non Family	38,563	108,914	28.0	Row Condo; Condo Apt.	42.2
	Total	44,158	124,715	41.6	Bungalow	47.7
Hamilton	Family	51,909	145,576	N/A	N/A	43.1
	Non Family	40,384	113,254	N/A	N/A	0.2
	Total	47,467	133,118	N/A	N/A	24.4

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1995 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Family	63,000	177,362	N/A	N/A	60.1
	Non Family	52,327	147,316	N/A	N/A	21.7
	Total	58,581	164,923	N/A	N/A	48.8
Oshawa	Family	57,185	161,568	N/A	N/A	84.7
	Non Family	47,947	135,467	N/A	N/A	50.2
	Total	54,584	154,219	N/A	N/A	80.4
Ottawa	Family	56,726	153,312	52.1	Bungalow; Townhouse	76.4
	Non Family	46,208	124,885	29.4	Townhouse	6.7
	Total	52,006	140,556	43.9	Bungalow; Townhouse	59.7
Hull	Family	47,395	126,542	56.0	Bungalow	71.7
	Non Family	38,370	102,445	37.0	Bungalow	41.0
	Total	44,311	118,306	53.0	Bungalow	61.0
Montréal	Family	49,405	133,980	61.3	All Types	76.3
	Non Family	38,987	105,728	35.0	Bungalow; Condo	47.4
	Total	45,268	122,759	54.2	All Types	66.8
Trois-Rivières	Family	41,616	112,257	N/A	N/A	94.0
	Non Family	34,130	92,064	N/A	N/A	86.8
	Total	38,819	104,711	N/A	N/A	92.1
Sherbrooke	Family	41,713	110,372	62.6	Bungalow; 2 Storey	68.4
	Non Family	32,875	86,986	39.2	Bungalow	30.4
	Total	38,310	101,367	57.3	Bungalow	63.9
Québec	Family	45,599	116071	66.5	All Types	64.5
	Non Family	36,958	89611	40.0	All Types	33.2
	Total	42,039	105257	57.4	All Types	54.9
Chicoutimi-Jonquière	Family	43,736	117,247	76.7	Bungalow	94.1
	Non Family	35,416	94,944	60.1	Bungalow	80.2
	Total	41,492	111,231	73.6	Bungalow	94.1
Saint John	Family	44,700	127,779	72.6	Modest 2 Storey	77.1
	Non Family	39,693	113,466	59.6	Split Entry	68.8
	Total	42,913	122,670	72.6	Modest 2 Storey	74.0
Halifax	Family	49,684	144,120	64.5	2 Storey	77.8
	Non Family	43,502	126,186	52.5	Semi-Detached	66.1
	Total	47,235	137,014	60.0	Split Level	75.1
St. John's	Family	47,834	134,435	83.5	Bungalow	81.1
	Non Family	47,579	133,717	83.1	Bungalow	81.1
	Total	47,747	134,191	83.5	Bungalow	81.1
Charlottetown	Family	44,888	127,140	64.3	All Types	76.0
	Non Family	35,858	101,563	41.0	Bungalow	57.3
	Total	41,044	116,251	52.8	All but 2 Storey	68.0
Metropolitan Area Total	Family			56.1		60.9
	Non Family			37.1		25.7
	Total			49.3		50.3

** Calculated with a mortgage rate of 9.6 per cent.*
*** Percentage of new dwellings sold at or below the maximum affordable house price.*
† Newer is five years old or less.
‡ Older is ten years old or more.
N/A is data not available from the local real estate board.

Sources: CMHC, local Real Estate Boards and Statistics Canada.

Understanding homebuyer key to cornering market

How does today's builder or realtor maintain a competitive edge in a market chock full of affordably priced homes? The answer is by knowing where to find prospective first-time buyers and understanding their preferences.

First-timers are the key housing consumers of the 1990s, dominating the markets of most Canadian centres. Their current purchasing power is due to improved affordability, the federal First Home Loan Insurance (FHLI) program and the Homebuyers' Plan, a program that permits consumers to make temporary use of their RRSP funds to acquire a home.

Thanks to four years of surveys of FHLI participants, Canada Mortgage and Housing Corporation (CMHC) has gathered a large amount of data on first-time buyer behavior and preferences. The information can be used to create a four-year profile of this powerful consumer group so as to better understand their current and future needs. The profile can show who these consumers are, how they are financing their homes and what they are buying. Such information can help builders and realtors track down local market niches, plan products and locate potential customers.

An important conclusion to draw from the FHLI surveys is that improvements to affordability, such as what happened during the first half of 1995, usually speed up sales by some types of first-time buyers more than others. Long-term renters, renters over 40 years of age, single adults and single-income households and buyers in the $40,000-$50,000 income bracket make-up the lion's share of demand when affordability is on the increase.

Ages and incomes of first-time buyers changing

First-time buyers in the 1995 survey tended to be younger than in 1994. This reflects affordability losses in the second half of 1994 which have caused some older people to defer a home purchase. The data suggests that many people who could not afford a home for much of their lives finally took the plunge in late 1993 and early 1994 because of low mortgage rates.

According to the 1995 FHLI survey, most first-time buyers today are aged 20 to 44 and half are younger than 31. This median age — 31 — is the same as in 1993, while in 1994 the median age of first-time buyers was 33.

The percentage of the first-time buying public aged 50-plus rose from 1 per cent in 1992 to 6 per cent in 1994, before falling back to 2 per cent in 1995.

Today, affordability is on the rise again, which may mean increased opportunities to cater to the older buyer. Prospects may be especially good in higher-priced centres, where large numbers of mid- to low-income consumers had to defer homebuying during the more expensive 1980s.

As our chart shows, the median incomes of first-time buyers have generally declined since 1992. The median was pulled down as more mid- to low-income consumers made the switch to homeownership. They were responding to buying opportunities that opened up in more and more markets for households with incomes of $40,000-50,000. Consequently, the median household income of FHLI buyers has fallen from about $49,000 in 1992 to 44,000 in 1994 and $42,000 in 1995.

The decrease in the median income of FHLI participants can be linked to a shift in the occupations of first-time buyers. In 1992, the first year of the program, 17 per cent of buyers identified themselves as professionals. The figure jumped to 26 per cent in 1993, and fell back to 17 per cent in 1995. People in trades comprised 29 per cent of FHLI homebuyers in 1994, but only 22 per cent in 1995. The labourer group rose from 4 per cent in 1994 to 10 per cent in 1995.

Another interesting fact is that when affordability peaked in early 1994, more single persons bought their first home. In the 1994 survey, 20 per cent of the FHLI participants were single persons, compared with only 17 per cent in both 1992 and 1995.

Divorced, widowed or separated consumers have also increased and now account for 9 per cent of the market.

First-time Buyers (FHLI)

	1992	1993	1994	1995
Social-economic				
Median Age	29	31	33	31
Median Income	49,000	41,000	44,000	42,000
Financial				
Average GDS	24%	23%	23%	24%
Per cent of buyers				
with minimum down	N/A	72%	75%	69%
Purchasing behavior				
Single-detached	66%	72%	65%	69%
Townhouse	17%	9%	9%	9%
Existing	n/a	86%	83%	84%
Price (existing)	95,889	94,083	96,723	92,737

Surmounting downpayment problems

The downpayment required for home purchase is a hurdle that affects potential buyers of all ages. A person may have the steady income needed for monthly mortgage payments, but still find it hard to scrape together the initial lump sum.

The introduction of the FHLI in 1992 has improved downpayment affordability for many homebuyers. The program allows participants to purchase a first home with a downpayment as small as 5 per cent of the home's value.

continued on page 8

Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JAN-JUN 1994	JAN-JUN 1995	JAN-JUN 1994	JAN-JUN 1995	JAN-JUN* 1994	JAN-JUN 1995	JAN-JUN* 1994	JAN-JUN 1995	JAN-JUN 1994	JAN-JUN 1995	JAN-JUN 1994	JAN-JUN 1995
Victoria	186,364	177,046	1,329	1,413	1,549	1,636	657	657	1,513	1,604	56,735	60,145
Vancouver	193,495	188,555	1,374	1,497	1,541	1,572	447	479	1,540	1,668	57,756	62,550
Edmonton	106,487	104,141	762	831	1,347	1,350	612	631	926	996	34,709	37,353
Calgary	121,725	120,186	871	959	1,303	1,315	546	550	1,026	1,114	38,467	41,793
Saskatoon	82,139	82,586	588	659	1,570	1,592	689	644	776	845	29,110	31,701
Regina	77,226	76,899	553	614	2,020	2,070	668	625	777	838	29,131	31,433
Winnipeg	81,245	81,245	582	648	2,230	2,339	790	819	833	911	31,248	34,181
Thunder Bay	113,156	107,945	810	861	1,331	1,329	907	971	997	1,053	37,371	39,492
Sudbury	110,159	111,582	789	890	1,571	1,558	836	878	989	1,093	37,094	41,003
Windsor	107,374	111,810	769	892	1,600	1,660	727	684	963	1,088	36,098	40,783
London	124,668	118,729	892	947	1,636	1,665	727	684	1,089	1,143	40,854	42,869
Kitchener	131,057	129,480	938	1,033	2,121	2,131	727	684	1,176	1,268	44,084	47,544
St.Catharines-Niagara	110,510	104,513	791	834	1,883	1,947	690	650	1,006	1,050	37,708	39,391
Hamilton	139,359	138,412	998	1,105	2,099	2,098	727	684	1,233	1,336	46,244	50,113
Toronto	168,350	169,242	1,205	1,351	2,749	2,749	690	650	1,492	1,634	55,942	61,267
Oshawa	138,995	140,151	995	1,118	2,380	2,374	690	650	1,251	1,370	46,908	51,389
Ottawa	139,903	135,356	1,002	1,080	2,935	2,963	751	707	1,309	1,386	49,075	51,972
Hull	98,116	93,293	702	744	1,941	1,946	1,273	1,265	970	1,012	36,385	37,954
Montreal	102,890	101,102	737	807	1,937	1,951	1,242	1,234	1,001	1,072	37,556	40,210
Trois-Rivières	71,995	70,388	515	562	1,409	1,409	1,323	1,315	743	789	27,865	29,576
Sherbrooke	78,423	77,728	561	620	1,579	1,592	1,353	1,345	806	865	30,215	32,438
Quebec	86,378	82,183	618	656	1,956	1,970	1,353	1,345	894	932	33,529	34,951
Chicoutimi-Jonquière	70,238	67,274	503	537	1,527	1,532	1,404	1,395	747	781	28,015	29,280
Saint John	79,057	81,070	566	647	1,113	1,160	1,165	1,063	756	832	28,342	31,208
Halifax	105,054	101,901	752	813	1,367	1,366	1,000	912	949	1,003	35,598	37,611
St. John's	91,820	87,036	657	695	1,095	1,097	1,189	1,155	848	882	31,787	33,081
Charlottetown	75,370	74,726	540	596	1,358	1,405	1,033	1,043	739	800	27,706	30,008

Sources: CMHC and Natural Resources Canada.
Note that the taxes do not include any rebates.
** Revised figures in some areas since last publication.*

continued from page six

instead of the 25 per cent required for a conventional mortgage. For most FHLI homebuyers this amounts to less than $6,000. According to the survey, if the FHLI had not been available, about 45 per cent of participants would have delayed their home purchase by three or more years.

The FHLI survey shows that the percentage of buyers who put down the minimum 5 per cent against home purchase declined from 75 per cent in 1994 to 69 per cent in the 1995 survey. Decreased affordability and shaky consumer confidence in the second half of 1994 meant that potential buyers were wary of putting down just the minimum downpayment and preferred to wait until they had a larger lump sum.

Over the four-year period, however, most FHLI buyers have used the minimum downpayment

Sources of downpayments

Personal savings was the major source of downpayment funds for most FHLI participants in 1995. About 75 per cent of survey respondents listed this as their key resource. Another 18 per cent identified RRSPs as a major source, while 13 per cent mentioned personal gifts.

When specifically asked whether they used funds from their RRSPs for downpayments, 30 per cent of FHLI buyers said yes, up from 23 per cent in 1993 and 25 per cent in 1994. It seems that more consumers are becoming aware of, and taking advantage of the Homebuyers' Plan.

The 1995 survey does not reveal how long first-time buyers had to save to accumulate their downpayment funds. But it does show that half of them rented for five years or longer prior to buying. It also shows that once these consumers decided to buy, they made the move fairly quickly. In 1995, about 43 per cent of buyers purchased their homes within two months of making the decision, up from 29 and 31 per cent in 1993 and 1994. This may have been due to improved consumer confidence caused, in turn, by a stronger job market.

Buyers still favour single-detached homes

The FHLI surveys show that although consumers' incomes have declined in the 1990s, homebuyers in most markets still favour the existing single-family home. The proportion of FHLI participants who bought single-detached homes slipped briefly to 65 per cent in 1994 from 72 per cent in 1993. This can be explained by an increase in the number of older and single-person first-time buyers prior to that survey. ■

DEFINITIONS

DEMAND AFFORDABILITY INDICATOR

Per Cent of Renters Who Can Afford:
This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:
The average starter house price is defined as the average price for an NHA insured existing home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period. This price excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:
The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:
Average property taxes for a dwelling owned and occupied by its owner. Data are CMHC estimates.

Heating Costs:
Average heating costs representative of a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs:
Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:
The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage:
A three-year term closed mortgage was assumed with a 25 year amortization period. An average mortgage rate of 7.6 per cent was used for the first half of 1994 and a rate of 9.6 per cent was used for the first half of 1995.

SUPPLY INDICATORS

Renter Household Types:
Renter households aged 20-44 who have the potential to become home owners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicators.

Maximum Affordable House:
Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 9.6 per cent is used and a 10 per cent down payment is assumed.

Resale Supply Available:
The per cent of MLS active listings at or below the maximum affordable house price.

Most Prevalent Resale House Types:
The house types most often listed in the supply of active MLS listings. The house types are not exclusive of other house types that could also be included in the supply available.

Affordable New Construction:
The per cent of new single, semi, apartment or row dwellings sold at or below the maximum affordable house price.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to
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Annual subscription (4 issues) $44 + GST
Catalogue No. CHMSE
Single issue $11 + GST
Catalogue No. CHME3

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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ISSN 1188-4487
Printed in Canada

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CANADIAN HOUSING MARKETS

CMHC Market Analysis Centre

Fourth Quarter 1995

Migration key to market opportunities in 1990s*

The strongest housing markets in the 1990s will be those driven by migration demand. Migration trends and the demographic background of movers can therefore give a good idea of where the opportunities of the future lie. This article presents an analysis of newly released local migration data and answers the questions: where are people moving in Canada, and what does this mean for the housing industry?

Toronto and Vancouver have the most migration

Toronto and Vancouver are the two most popular destinations for Canadians relocating to another part of the country or moving to Canada today. These housing markets are therefore among the most active in the country. Vancouver has seen high housing starts and resales in the 1990s. And while demand in Toronto is lower than it was in the 1980s, it is still strong and prices are high.

CMHC's analysis is based on newly released Statistics Canada preliminary estimates of all movers leaving and arriving Census Divisions (CDs) in 1993-94.

Where markets cover several CDs (e.g., Toronto and Montreal) they are grouped to approximate that market area. Analysis examines not only the net migration flow to and from these markets, but also demographic segments associated with the:

- rental market – 18-24 year olds
- buyer market – 25-44 year olds
- empty nesters – 45-64 year olds
- retirement market – 65+ year olds

Toronto is the top destination if all the areas that make up Greater Toronto are grouped. About 55,000 more people moved into this region than moved out between July 1993-June 1994.

B.C. growth spread across province

While the Greater Vancouver Regional District was the most popular destination for movers in B.C., seven other CDs across the province were also in the top 15 list. These include Victoria, Central Fraser Valley, Fraser-Cheam, Nanaimo, Kelowna, Comox-Strathcona and Kamloops. The latter five are interesting because they are the only top 15 mover destinations neither within nor adjacent to one of the 27 major urban markets.

Leading destinations in other provinces included Calgary, Montreal, Barrie, Ottawa, Windsor and Kitchener.

Compared with Toronto and Vancouver, Montreal's migration is low relative to the size of its market. All of this city's popular mover destinations were off Montreal Island (MUC) in areas like Laval and nearby Vallée-du-Richelieu. Suburban localities have been receiving many migrants at the expense of Montreal Island itself.

continued on next page

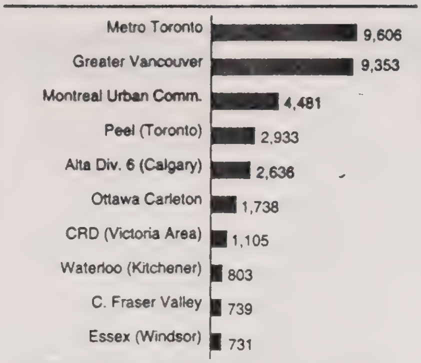
Top 15 Destinations for Movers During 1993-94

Market	Census Division	Net Migration
Toronto/	Peel	18,314
Oshawa	York	14,869
	Metro Toronto	11,673
	Durham	6,220
	Halton	3,691
TOTAL		**54,767**
Vancouver	G.V.R.D.	37,015
	Dewdney-Allouette	2,051
TOTAL		**39,066**
Calgary	Alberta Division 6	8,823
Montreal	Vallée-du-Richelieu	2,126
	Lajemmerais	1,112
	Laval	2,305
	Les Moulins	1,565
	Montreal Urban Commmunity	-5,587
	Roussilon	2,089
	Champlain	-955
	Vaudreuil-Soulanges	1,862
	Deux-Montagnes	1,117
	Thérèse-de-Blainville	1,876
	Mirabel	603
TOTAL		**8,113**
Barrie	Simcoe County	6,094
Nanaimo	Nanaimo RD	4,468
Kelowna	Central Okanagan	4,296
Ottawa	Ottawa-Carleton RM	4,279
Windsor	Essex RM	4,070
Kitchener	Waterloo RM	3,854
Victoria	Capital Reg District	3,524
Abbotsford	Central Fraser Valley	3,439
Comox B.C.	Comox-Strathcona	3,086
Chilliwack	Fraser-Cheam RD	2,845
Kamloops	Thompson-Nicola	2,837

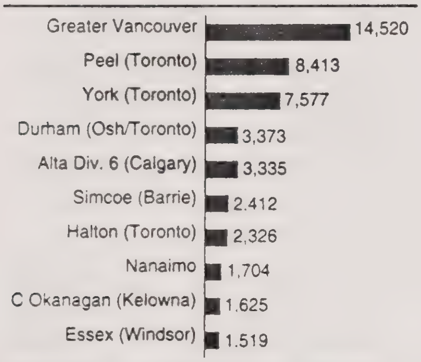
*Source : Statistique Canada**

**Note: The data released by Statistics Canada is not arranged by Census Metropolitan Area (CMA) but by Census Division (CD). The areas (CDs) identified above as parts of Greater Toronto, Vancouver and Montreal are all at least partly within these CMAs. However, the combination of these areas is not identical with the CMA itself and may be slightly larger. The data for other centres pertains to the Census Division within which each market is primarily located.*

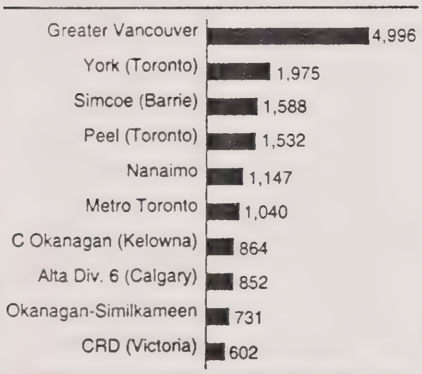
Net migration of 18-24 year olds
Most rented homes



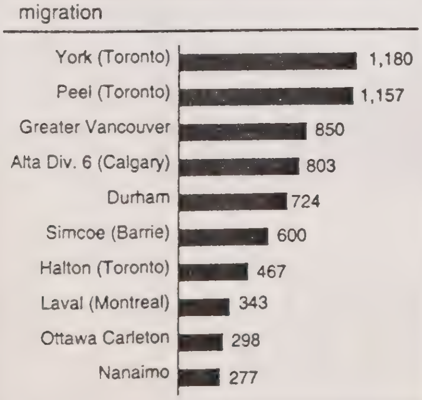
Net migration of 25-44 year olds
Many of whom purchased homes



Net migration of 45-64 year olds
Top empty nester markets based on migration



Net migration of 65+ year olds
Top areas for retirement housing based on migration



Source: Statistics Canada

continued from page 1 Centres such as Calgary, Ottawa and Kitchener are growing rapidly because of export related economic growth either in tourism, manufacturing, petrochemical or high technology areas. Barrie is benefiting from growth induced by nearby Toronto.

Vancouver and Peel (Missisauga/ Brampton in Toronto CMA) are the only areas in the top five for all age groups. Vancouver is the most popular destination among both 25-44 and 45-64 year olds.

Young movers flocking to big cities

Younger movers, between 18 and 24 years of age were drawn most to the inner part of the three largest markets — Vancouver, Toronto and Montreal. Since this pattern is expected to continue, these areas stand to see the greatest growth in rental demand. Within other markets, the most popular destinations are Calgary, Ottawa, Victoria, Kitchener, the Central Fraser Valley and Windsor.

The popularity of some of these areas is due to the many large post-secondary educational institutions present there. In Calgary, Waterloo and Ottawa a wide range of technical employment opportunities is also a factor.

Among 25-44 year olds, the most popular destinations other than Vancouver tend to be suburban areas of major markets like York, Halton, Durham and Simcoe County near Toronto. These areas have a good selection of ownership housing which is what many people in the 25-44 age group are looking for.

Calgary, Nanaimo, Kelowna and Windsor are the most popular centres, not linked to the big three centres, among 25-44 year olds. This bodes well for the ownership market in these centres.

Just as younger adults are drawn to the inner city, adults aged 45-64 are drawn to the outer fringe and to some smaller cities. Some of these movers are suburban move-up buyers. CMHC's **Consumer Preference Study** establishes that many older buyers seek newer maintenance free homes, and suburban areas offer a good selection of this type of product. Other movers are empty nesters planning for retirement by leaving the more expensive urban markets to settle in fringe areas.

Smaller centres like Nanaimo, various B.C. Okanagan communities and Collingwood in Simcoe County north of Toronto are also important empty nester destinations. These areas are popular among both 45-64 year olds and among people older than 65. More and more, these areas offer a broad range of housing choices to people relocating on the basis of climate or amenities. A significant portion of the new housing in these areas is designed specifically for the needs of empty nesters.

The most popular areas for movers older than 65 are large urban areas with medical services and a good supply of new, maintenance free ownership housing (e.g., Peel, Laval and Ottawa).

Short term outlook remains steady

The short term outlook calls for continued high growth in the Toronto and Vancouver areas, Vancouver Island and Okanagan communities, and various southern Ontario centres. Some changes will occur because of new patterns of economic growth and lower immigration to Canada since the early 1990s.

Lower immigration will affect Toronto and Vancouver in particular since almost half of all immigrants gravitate to these markets.

Longer term demand prospects bright for empty nester areas

As the baby boomers age and the population aged over 50 starts to rise in the late 1990s, migration will accelerate to areas that cater to empty nester markets. This includes both the B.C. amenity markets (e.g., Nanaimo and Central Okanagan) and quality fringe areas of our largest urban markets. ■

Stronger resales and starts forecast for 1996

FORECAST HIGHLIGHTS

- ***Resales will be up 7% overall with higher activity forecast in 23 of the 27 major centres in 1996.***
- ***Higher starts are forecast in 18 major centres for a 4% total increase.***
- ***Gains will be slow and tentative in the first half of 1996. Activity will level out as mortgage rates trend up later in 1996.***
- ***Employment will grow in 22 centres, and Oshawa will see the biggest gain — an increase of over 2%.***

Housing starts and resales are expected to rise slightly in 1996 thanks to higher job growth and strengthening consumer confidence. The upturn, which started with the resale market in the second half of 1995, will spread to the new home market in early 1996.

The increase in the resale market in 1996 will be stronger and more broadly based than in the new house market. Resales will increase in 23 major centres as opposed to starts which will increase in only 18. This is primarily due to an abundant supply of resale homes available and more competitive prices in many centres.

The stronger market in 1996 will provide welcome relief to the housing industry which, in 1995, will suffer from the lowest annual activity since the 1950s. Overall, CMHC expects 28% fewer starts and 13% fewer resales in 1995.

The upturn expected next year will be slow and tentative, largely due to lingering job insecurity in many centres.

Market activity in 1996 is expected to remain low compared to pre-1995 levels in almost every market. The only exception will be Windsor, which will have a 17-year high of 1,750 starts next year.

Export reliant markets will see starts rise most

Starts in 1996 will increase the most in Regina, London, Saint John, Oshawa, and Thunder Bay. These centres will see an annual increase of 25% or more. Starts will also rise 20% or more in Trois-Rivières, Windsor, and Kitchener.

With the exception of Saint John, the local economies in these centres were sustained by strong exports in 1995, in the manufacturing, agricultural and resource sectors. To some extent, however, the strong starts rebound expected in Saint John and Regina is also because they fell to such a low level in 1995.

Centres predicted to have the biggest decline in starts in 1996 are Calgary, Ottawa, Vancouver, Victoria, and Halifax. These declines will be between 4% and 7% and are minor compared with the percentage increases expected in the fastest-growing markets.

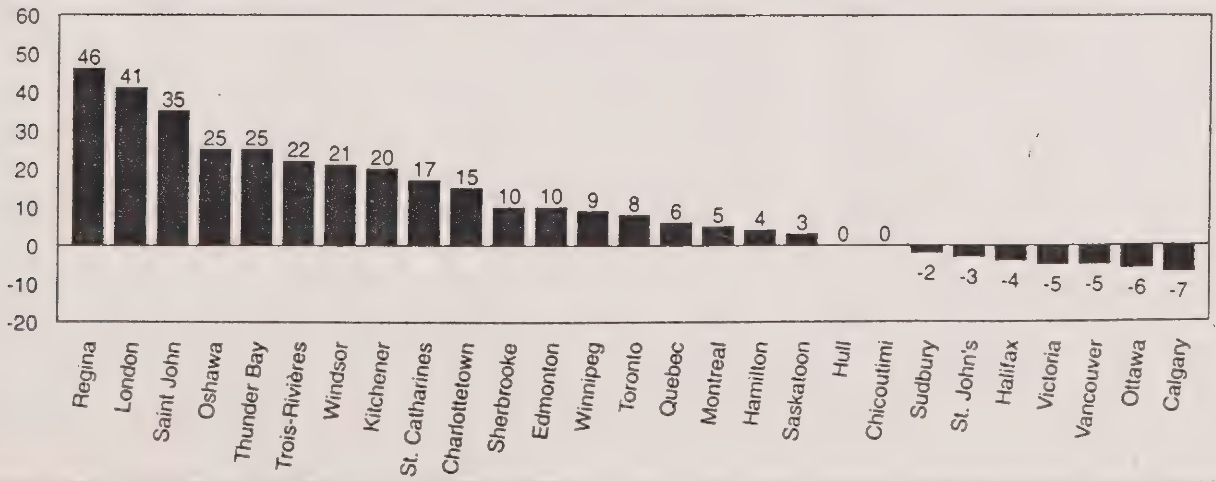
In Calgary, the drop will be caused by less job growth because of slipping natural gas prices putting a damper on exploration. Vancouver, Victoria, and to a lesser extent, Calgary had high starts in 1991-94 and are on the down phase of their housing market cycles.

Demand in Ottawa will be restrained by government cutbacks. This is also a factor in St. John's, along with a winding down of Hibernia construction and fewer export-dependent industries in the Atlantic Region.

In Canada's largest markets — Toronto and Montreal — starts will rise at about the same rate as the national average in 1996. In Montreal this will constitute a rebound from 1995's extremely low activity. In Toronto it will result from an ongoing gradual improvement in economic conditions.

continued on page 6

Starts forecast by market — Per cent change 1995-96



Source: CMHC.

Economic and Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX* % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS** SALES (REP.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATE OCTOBER %
Victoria	1994	146,000		2,303		-0.9	299,000		6,260		256,000		1.9
	1995***	147,540	1.1	1,750	-24.0	-7.2	310,000	3.7	4,800	-23.3	243,000	-5.1	3.3
	1996***	148,060	0.4	1,670	-4.6	0.5	305,000	-1.6	5,500	14.6	248,000	2.1	2.5
Vancouver	1994	848,400		20,473		-0.6	497,656		30,023		387,177		0.8
	1995***	859,100	1.3	15,300	-25.0	-3.6	515,000	3.0	21,700	-27.8	390,000	0.7	1.2
	1996***	868,100	1.1	14,575	-5.0	3.0	535,000	4.0	24.000	10.6	385,000	-1.3	1.5
Edmonton	1994	439,000		5,006		0.9	163,759		9,766		124,806		8.9
	1995***	452,000	3.0	3,100	-38.1	-1.5	160,000	-2.3	9,100	-6.8	121,000	-3.0	10.2
	1996***	460,000	1.8	3,400	9.7	-0.5	159,000	-0.6	9,800	7.7	122,500	1.2	9.0
Calgary	1994	406,400		6,877		2.4	177,156		15,144		132,495		5.1
	1995***	430,000	5.8	5,600	-18.6	0.5	183,000	3.3	13.200	-12.8	132.200	-0.2	3.6
	1996***	435,000	1.2	5.200	-7.1	0.0	184,000	0.5	14.500	9.8	132.000	-0.2	3.3
Saskatoon	1994	104,400		682		1.5	140,035		2,754		81,720†		1.8
	1995***	106,000	1.5	625	-8.4	2.0	146,500	4.6	2,650	-3.8	83,000†	1.6	1.0
	1996***	108,000	1.9	645	3.2	2.0	152,400	4.0	2,750	3.8	83,500†	0.6	2.0
Regina	1994	99,900		462		3.9	145,542		2.791		73,747†		3.2
	1995***	100,700	0.8	360	-22.1	3.0	150,000	3.1	2.600	-6.8	76.000†	3.1	2.1
	1996***	101.600	0.9	525	45.8	2.0	155.000	3.3	2.600	0.0	76.500†	0.7	3.0
Winnipeg	1994	330,170		1,528		3.4	140,155		9,923		84,812		5.6
	1995***	337,500	2.2	1,100	-28.0	2.2	144,000	2.7	9,100	-8.3	82,700	-2.5	5.4
	1996***	341,000	1.0	1,200	9.1	2.8	147,500	2.4	9,400	3.3	84,000	1.6	5.2
Thunder Bay	1994	60,500		451		1.4	176,541		1,453		115,289		4.1
	1995***	64,700	6.9	369	-18.2	0.3	180,072	2.0	1.380	-5.0	112,985	-2.0	6.2
	1996***	66,000	2.0	462	25.2	1.8	183,673	2.0	1,405	1.8	115.245	2.0	6.5
Sudbury	1994	75,000		712		1.4	147,003		1,754		112,278		4.3
	1995***	76,500	2.0	320	-55.1	0.3	153,762	4.6	1,775	1.2	113,000	0.6	6.0
	1996***	78,000	2.0	315	-1.6	1.8	154,000	0.2	1,710	-3.7	113,500	0.4	6.0
Windsor	1994	127,000		1,661		0.1	191,986		4,980		116,457		1.6
	1995***	127,500	0.4	1,450	-12.7	1.6	193,900	1.0	4,500	-9.6	117,000	0.5	1.8
	1996***	130,000	2.0	1,750	20.7	1.2	196,200	1.2	4,800	6.7	119,000	1.7	1.0
London	1994	211,000		1,972		0.2	202,800		5,793		134,089		4.1
	1995***	208,000	-1.4	1,100	-44.2	-1.6	212,000	4.5	5,375	-7.2	128,500	-4.2	4.3
	1996***	210,000	1.0	1,545	40.5	1.4	215,000	1.4	5,900	9.8	132,500	3.1	4.0
Kitchener	1994	204,000		1,747		-2.6	177,200		3,689		141,711		2.8
	1995***	208,000	2.0	1,250	-28.4	1.0	179,000	1.0	3,500	-5.1	137,000	-3.3	2.2
	1996***	211,000	1.4	1,500	20.0	3.0	185,000	3.4	3,750	7.1	142,000	3.6	2.1
St. Catharines-Niagara	1994	153,200		1,703		-4.0	166,929		2,567		125,503		5.8
	1995***	159,500	4.1	1,025	-39.8	-0.2	170,350	2.0	2,380	-7.3	124,870	-0.5	5.2
	1996***	159,800	0.2	1,195	16.6	0.8	172,500	1.3	2,500	5.0	125,500	0.5	4.9
Hamilton	1994	312,000		2,833		-0.3	205,183		8,345		145,939		2.4
	1995***	317,100	1.6	2,300	-18.8	0.7	207,000	0.9	7,800	-6.5	143,000	-2.0	2.0
	1996***	322,000	1.5	2,400	4.3	1.6	210,000	1.4	8,400	7.7	147,000	2.8	1.8
Toronto	1994	2,043,000		18,443		-0.2	291,596		44,237		208,921†		1.2
	1995***	2,097,000	2.6	15,500	-16.0	0.9	308,000	5.6	40,000	-9.6	204,000†	-2.4	0.8
	1996***	2,150,000	2.5	16,800	8.4	0.9	300,000	-2.6	42,000	5.0	204,000†	0.0	0.5

Economic and Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX* % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS** SALES (REP.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT + APT. STRUCTURES VACANCY RATE OCTOBER %
Oshawa	1994	126,000		1,963		—	177,055		4,469		140,031		3.4
	1995***	130,000	3.2	1,385	-29.4	—	180,000	1.7	4,000	-10.5	139,000	-0.7	2.7
	1996***	133,000	2.3	1,725	24.5	—	184,000	2.2	4,300	7.5	141,000	1.4	2.2
Ottawa	1994	393,400		3,929		0.2	198,492		7.620		147.543		2.6
	1995***	385,500	-2.0	2,119	-46.1	-1.2	214,300	8.0	6.400	-16.0	143.800	-2.5	3.8
	1996***	387,800	0.6	2,000	-5.6	1.2	205,000	-4.3	6,900	7.8	144.000	0.1	3.4
Hull	1994	148,000		2,128		—	127,703		1,634		104,700		6.6
	1995***	151,000	2.0	1,200	-43.6	—	128,000	0.2	1,300	-20.4	103,000	-1.6	8.3
	1996***	152,000	0.7	1,200	0.0	—	127,000	-0.8	1,400	7.7	102,000	-1.0	7.6
Montreal	1994	1,523,000		13.157		0.6	137,602		18.381		116.307		6.8
	1995***	1,538,000	1.0	7.875	-40.1	1.0	144,000	4.6	15.625	-15.0	115.000	-1.1	6.2
	1996***	1,543,000	0.3	8.300	5.4	0.5	135,000	-6.3	16.525	5.8	114.000	-0.9	6.0
Trois-Rivières	1994	63,800		938		—	93,670		666		73,881¶		7.4
	1995***	62,700	-1.7	535	-43.0	—	93,850	0.2	615	-7.7	74,030¶	0.2	7.2
	1996***	62,300	-0.6	650	21.5	—	95,900	2.2	685	11.4	74,475¶	0.6	6.3
Sherbrooke	1994	66,900		983		—	101,100		860		84.740		8.0
	1995***	68,000	1.6	680	-30.8	—	107,500	6.3	700	-18.6	83.730	-1.2	6.2
	1996***	68,750	1.1	750	10.3	—	108.900	1.3	780	11.4	84.800	1.3	6.2
Quebec	1994	323,500		4,677		-0.5	96,900		3,997		84,000‡		6.9
	1995***	311,500	-3.7	2,450	-47.6	0.8	97,700	0.8	3,250	-18.7	83,000‡	-1.2	6.0
	1996***	313,000	0.5	2,600	6.1	1.0	98,700	1.0	3,500	7.7	83,000‡	0.0	5.6
Chicoutimi-Jonquière	1994	60,000		606		—	78,500		1.295§		78.300		6.3
	1995***	63,000	5.0	330	-45.5	—	80,300	2.3	1,150§	-11.2	74.500	-4.9	6.0
	1996***	64,000	1.6	330	0.0	—	83,500	4.0	1,185§	3.0	76,700	3.0	5.7
Saint John	1994	55,000		442		0.1	107,442		963		84,430		8.0
	1995***	55,500	0.9	260	-41.2	0.5	110,000	2.4	925	-3.9	88,750	5.1	8.6
	1996***	55,500	0.0	350	34.6	0.5	113,000	2.7	975	5.4	90,000	1.4	8.2
Halifax	1994	164,500		2,460		2.8	124,500		4.636		103,481		7.2
	1995***	165,500	0.6	2,250	-8.5	2.0	126,500	1.6	4,400	-5.1	103,500	0.0	7.7
	1996***	166,500	0.6	2,150	-4.4	1.0	128,600	1.7	4,300	-2.3	104,000	0.5	7.9
St. John's	1994	80,000		1,215		0.4	122,000		1,783		92,011		7.1
	1995***	81,000	1.3	800	-34.2	0.2	122,500	0.4	1,675	-6.1	89,000	-3.3	10.8
	1996***	80,500	-0.6	775	-3.1	0.0	122,500	0.0	1,625	-3.0	90,000	1.1	10.2
Charlottetown	1994	25,750		276		—	116,300		238		97,600		6.2
	1995***	26,000	1.0	166	-39.9	—	110,000	-5.4	185	-22.3	95,000	-2.7	7.1
	1996***	26,000	0.0	190	14.5	—	112,000	1.8	200	8.1	95,000	0.0	7.6
ALL	1994	8,589,820		99,627		—	—		196,021		—		4.6
METRO	1995***	8,728,840	1.6	71,199	-28.5	—	—		170,085	-13.2	—		4.2
AREAS	1996***	8,840,910	1.3	74,202	4.2	—	—		181,390	6.6	—		4.1

* *New House Price Index (NHPI) – This index measures changes over time in the contractor's selling prices of new residential houses, where detailed specifications remain the same between two consecutive periods.*

** *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

*** *1995-1996 values are CMHC forecasts except for the 1995 October vacancy rates which are actuals.*

† *Average MLS price.*

¶ *Benchmark house price.*

‡ *Average price for single-detached, semi-detached, row and apartment condo.*

§ *Sales data is from TEELA.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 3

Abundant supply and competitive prices will increase resales

In the resale market, the 1996 upturn will be strongest in Victoria, Vancouver and Calgary in the west and in Trois-Rivières and Sherbrooke in Quebec. The upturn will be strongest in markets with an abundant supply of lower priced resale homes available. In Victoria, and Vancouver, for example, total demand growth is non-existent and the increase in starts will result in a shift in sales from the new house market to the resale market. As in other cases, the upturn in Trois-Rivières and Sherbrooke is a rebound from 1995's extremely low position. However, a small upturn in demand is also expected.

Resales will decline in Sudbury, Halifax and St. John's, and will increase very little in Regina and Thunder Bay. In St. John's and Halifax this will result from a weakening of the Atlantic economy. The resale market is being restrained by too few available listings in Regina and Thunder Bay.

House prices begin to rise in most markets

Based on the New House Price Index (NHPI) house prices in 1996 are forecast to rise in 18 of 21 markets surveyed. This will be up from 15 centres forecast to increase in 1995. CMHC's forecast also indicates there will be more upward pressure on prices next year. House prices are expected to rise more than 1% in 11 centres in 1996, more than twice the number expected in 1995. In 1996, prices are forecast to rise the most in Vancouver (3%), Kitchener (3%), and Winnipeg (3%). In Kitchener and Winnipeg, new home prices are rising because of strengthening demand. In Vancouver, prices will begin to recover as the inventory of new homes being built adjusts to lower demand. In 1995, the Vancouver index will drop 4%. During 1996, new home prices will fall in only one market — Edmonton. This will be a significant improvement from 1995 when prices are forecast to fall in six centres.

Since the NHPI does not provide the level of house prices across Canada, this issue continues to report the average price paid for new homes. The highest and lowest average prices forecast for 1996 will be:

- Vancouver $ 535,000
- Victoria $ 305,000
- Toronto $ 300,000

- Trois-Rivières $ 95,900
- Chicoutimi $ 83,500

Resale house prices (based on the average price paid for resale homes sold) will also rise because of stronger demand in 1996. Fourteen markets will see average resale prices rise over 1 per cent, up from only four centres in 1995. The biggest jumps will include Kitchener (4%) and London (3%). ■

DEFINITIONS:

ECONOMIC & HOUSING MARKET INDICATORS (pages 4 & 5)

Total Employment:
Total employment is the number of people employed in the CMA across all industries in a particular year.

Total Housing Starts:
Total housing starts is defined as the total number of starts for all housing types for the year.

New House Price Index:
This index measures changes over time in the contractor's selling prices of new residential houses, where detailed specifications remain the same between two consecutive periods

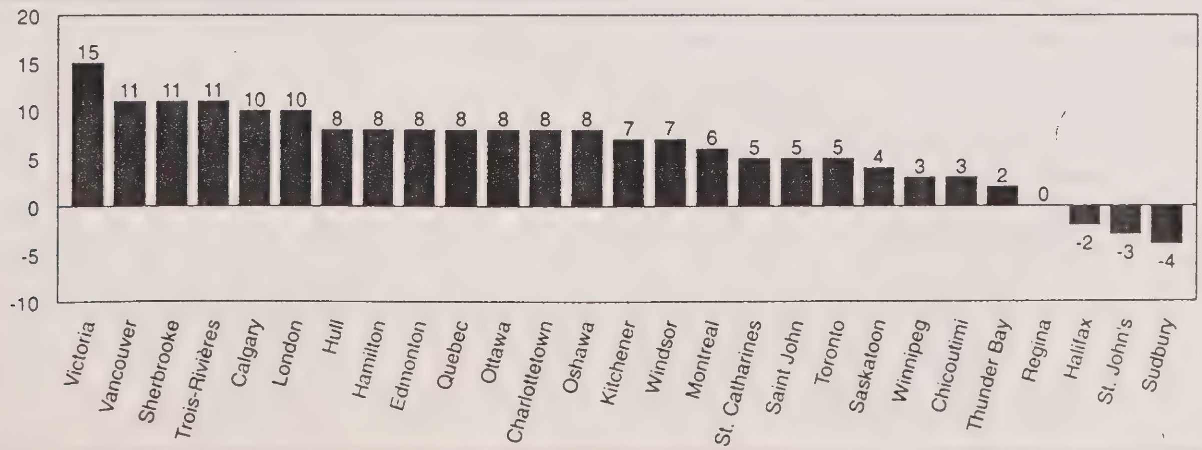
Single New House Price:
This is defined as the weighted average price of all units sold during the year.

Number of MLS Sales (residential):
The number of residential MLS sales is defined as the total number of sales for all types of residential dwellings sold through the MLS service for the year. The number of MLS sales is supplied by local real estate boards.

Single MLS Average Price:
The single MLS average price is the weighted average price of single family homes sold through the MLS service for the year. MLS price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rates:
The three-unit plus apartment structure vacancy rate is the overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

Resale forecasts by market — Per cent change 1995-96



Source: CMHC

Overcoming quality concerns can boost new home sales

New research indicates that consumers are very concerned about construction quality and are not well aware of warranty programs. Overcoming their concerns and improving awareness can create dividends for homebuilders, even in the highly competitive markets of the mid-1990s.

Doubts about the quality of new home construction and materials is one of the main reasons why Canadians have a higher preference for resale housing than new homes. This was a key finding of a CMHC study, **Consumer Housing Preferences in the 1990s,** released in January of this year and produced jointly with the Canadian Home Builders' Association and Natural Resources Canada.

In an attempt to learn more about Canadians quality concerns and what should be done, the study asked consumers a series of additional questions. This article of *Canadian Housing Markets* summarizes the results which show that:

- consumers are very concerned about construction quality,
- they have a low awareness of new home protection plans; and,
- most want improvements to protection plans.

Concerns about construction quality

Almost eight in ten Canadians say they are either very (49%), or somewhat concerned (28%), about the quality of new home construction. Just under two in ten are not very (12%), or not at all (7%), concerned.

Concern is high among the prime target markets for home builders:

- 93% of Canadians planning to buy a new home in the next five years.
- 92% of Canadians planning to buy another home.
- 90% of Canadians with high annual incomes $60,000-$80,000.

The findings also indicate that a majority of consumers in most provinces are **very concerned** about quality. Overall concern is highest in Saskatchewan (87%), Alberta (86%), New Brunswick, (86%), Nova Scotia, (84%), Manitoba (84%), and B.C. (82%). Consumers are least concerned in Quebec (66%). Among the large urban areas, Vancouver, (87%) has the largest percentage of consumers concerned about the quality of construction, while Montreal, (64%) has the lowest.

Awareness of new home protection programs

Although concern about the quality of construction is high, consumers are not very aware of programs protecting new home buyers.

The survey asked Canadians if they were aware of existing programs that protect new home buyers from faulty materials and/or poor quality construction. Respondents were also asked a series of questions:

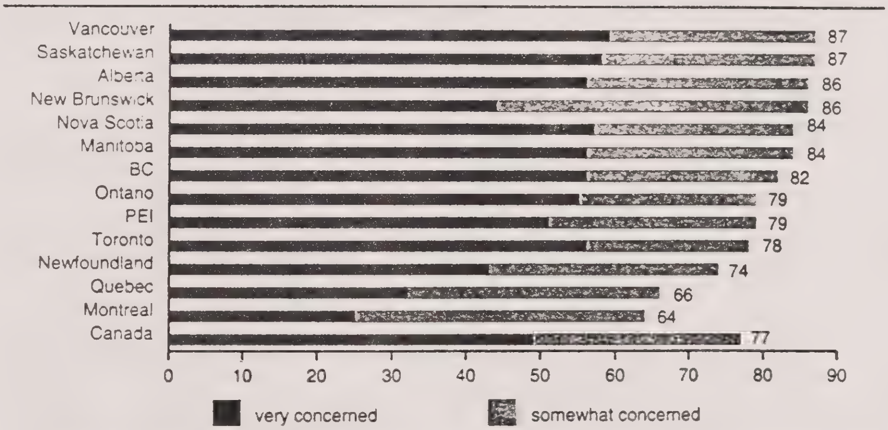
- to identify the programs they were aware of;
- to indicate if they felt improvements were needed to existing programs; and,
- to specify the improvements they felt were needed.

Awareness

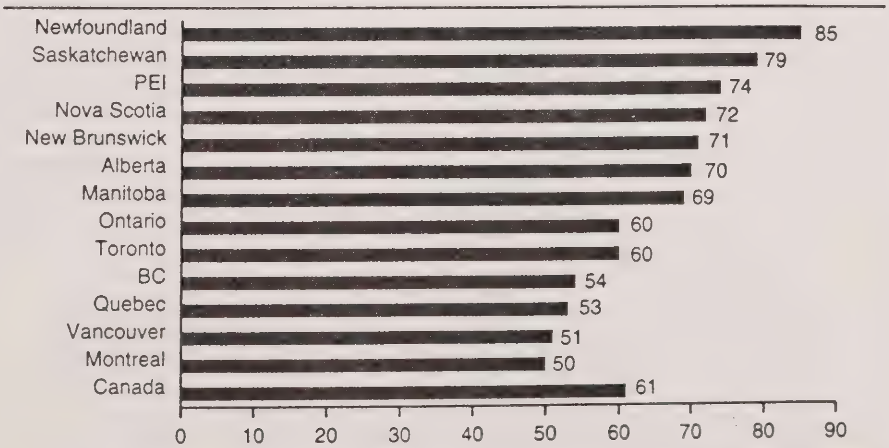
The findings indicate that 61% of Canadians do not know about programs to protect new homebuyers, while 34% do. Awareness was the lowest in Atlantic Canada and the Prairie provinces, and highest in Quebec and B.C.

continued on page 8

Consumers concerned about quality of new construction — %



Not aware of New Home Protection programs for new construction — %



Source: CMHC.

Need for improvement in protection programs

Province	Per cent indicating improvements needed in protection programs*
Saskatchewan	73
British Columbia	70
P.E.I.	68
Manitoba	68
Ontario	66
Alberta	66
Canada	**65**
Newfoundland	65
New Brunswick	64
Nova Scotia	61
Quebec	61

*All respondents

continued from page 7 Of the 34% of respondents who were aware of quality programs, 58% recognized provincial new home warranty programs currently available, (or HUDAC, which was the first name under which such programs were introduced in the 1970s). Fourteen per cent named municipal or utility home inspection programs, and a few mentioned the Better Business Bureau (5%) or CMHC (3%). Eight per cent were unable to name a specific program, and 12% did not know or answer.

Nationally, awareness of new home warranty programs is low — only 20% of Canadians indicating knowledge of them. Awareness is greatest in Vancouver (34%), B.C. (29%), Ontario (24%), and Toronto (22%). In all other areas, awareness was lower than the Canadian average.

Need for Improvement

Almost two-thirds, (65 %) of Canadians agree there is a need to improve existing quality assurance programs; 27% disagree. Seven per cent offer no response.

The desire for improvement is greatest in Saskatchewan (73%) and British Columbia (70%), and least pronounced in Quebec and Nova Scotia, (61%). It is also greater among those planning to move-up and more experienced buyers (71%).

Suggestions for improvement

The most popular suggestion was better municipal and utility inspection services, cited by 29% of those who say there should be improvements. Smaller numbers indicated:

- better warranties (14%);
- improved building codes (12%);
- more accountability for contractors (11%).

Five per cent noted the need for consumer education. Twelve per cent offered other suggestions and 25% offered no response.

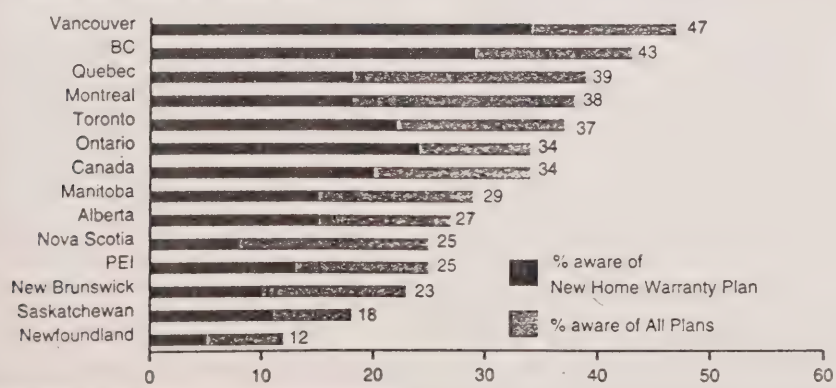
Opportunities to increase new home sales

The survey findings clearly show that Canadians, particularly those with high incomes and those planning to buy a home in the future, are concerned about construction quality. Their lack of awareness of new home protection and warranty programs compounds the problem.

Solutions to the problem are possible before, during and after sales agreements are finalized. One way of increasing opportunities in the marketplace is for the industry to improve consumer awareness of warranty programs and public knowledge of how well they protect homebuyers. Another opportunity is to intensify efforts to address quality concerns when potential homebuyers visit new home sites and model homes. A third prime opportunity is to respond quickly and satisfactorily to quality issues raised by new homebuyers after they have moved into their new home. Together, these actions can significantly reduce quality concerns and boost new home sales, even in the highly competitive markets of the mid 1990s. ■

Consumer Housing Preferences in the 1990s, published by Canada Mortgage and Housing Corporation in co-operation with the Canadian Home Builders' Association and Natural Resources Canada, 1995. To order a copy call 1-800-668-CMHC.

Awareness of New Home Protection plans — all respondents



Source: CMHC.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

Enquiries regarding subscriptions should be directed to: CMHC, P.O. Box 3077, Markham, Ontario L3R 6G4.
Tel.: 1 (800) 668-CMHC;
Fax: 1 (800) 463-3853
Annual subscription (4 issues) $44 + GST
Catalogue No. CHMSE
Single issue $11 + GST
Catalogue No. CHME4

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*
Numéro de catalogue CHMSF

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ISSN 1188-4487
Printed in Canada

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CANADIAN HOUSING

MARKETS

CMHC Market Analysis Centre First Quarter 1996

Record high affordability in the first half of 1996

Housing market conditions improved so much in the second half of 1995 that all 27 metropolitan areas in Canada saw an increase in affordability and five centres reached record levels. As interest rates decline in the first half of 1996, another nine will hit record highs.

Opportunity knocks for Canadians thinking of buying a home! Market conditions in the first half of 1996 will make it one of the most affordable times ever. After increasing to 35.0 per cent in the second half of 1995, the proportion of renters able to buy a starter home will reach 39.3 per cent in the first half of 1996 — a new high.

We expect marginally lower affordability in the second half of 1996 as a result of slightly higher mortgage rates.

Why is affordability going up?

Falling interest rates, decreasing house prices in 17 out of 27 markets, and an abundance of affordable new and resale housing on the market are the main factors. Averaging 8.2 per cent in the second half of 1995, 3-year mortgage rates were 112 basis points lower than in the first half of 1995. Our forecast of 7.2 per cent reflects a continued decline in rates during the first half of 1996.

Comparison to previous highs

Two factors pushed affordability to the 1990s record of 36 per cent set in the second half of 1993: falling mortgage rates and fairly stable or declining house prices.

When the all time high of 39 per cent was set in 1985, the three main driving factors were in perfect alignment: decreasing rates, a marked slowdown in house price appreciation and healthy income gains.

Starting in the second half of 1994 (see adjacent chart), the affordability indicator stepped up to higher levels during the following three periods; at around five per cent each, the last two increases are giant ones. Mirroring the affordability indicator step-for-step in the opposite direction were 3-year mortgage rates.

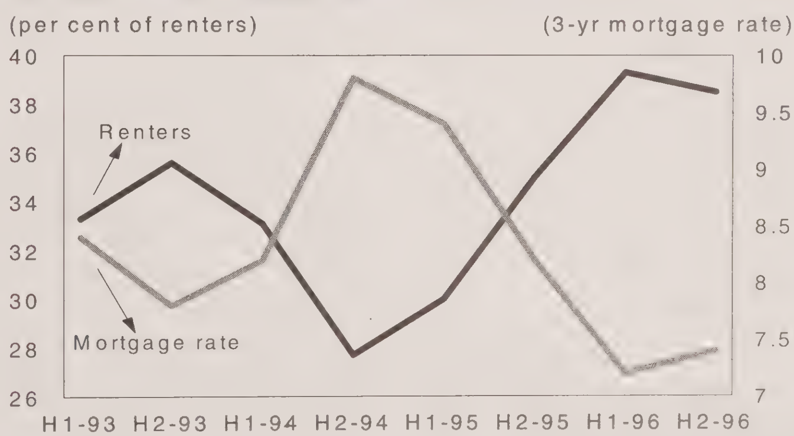
How Montréal, Toronto and Vancouver measure up

Flat prices helped Montréal maintain its status as the most affordable of the three biggest centres; a starter home averaged $101,000 during the second half of 1995, down a touch from $102,000 during the same period a year ago. These prices, along with an abundant supply of homes and lower mortgage rates, means that 37 per cent of renters can afford to buy, up from 33 per cent in the first half of the year.

As in Montréal, price stability in Toronto made renters better able to buy; consequently, 29 per cent of renters could afford to move into their first home during the second half of 1995, up about 5 percentage points from the first half of 1995. The average price went from $170,000 during the second half of 1994 to $168,000 a year later.

Between the first and second halves of 1995, *continued on next page*

Improving affordability reaches record high in spring of 1996



SOURCE: CMHC.
Note: H1 and H2 are for 1st and 2nd halves of the year. 1996 is forecast.

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the level of affordability in Vancouver went from 19.7 per cent to 24.5 per cent. Prices flattened out in 1995. Although the average price of $189,900 for the second half of 1995 was up about $5,000 from the same period the year before, it was hardly changed from the first half of 1995.

Lower mortgage rates, abundant supply and stable house prices fueled more first-time buying activity in the second half of 1995

An environment of low interest rates and stable to decreasing prices has put some life into first-time buyer activity in the second half of 1995. This second half saw a jump of 30 per cent in First Home Loan Insurance (FHLI) volumes from the same period in 1994.

This increase comes on the heels of a 23 per cent drop in FHLI from the first half of 1994 to the first half of 1995. Toward the middle of 1994, 3-year mortgage rates registered their largest four-month increase on record, sprinting up four percentage points. Rate relief did not come until the middle of 1995.

On an annual basis, 1995's total FHLI volume of 97,837 units is hardly different from the record of 101,000 units set in 1994.

Five centres reached record affordability levels in second half of 1995

Favourable market conditions helped set new records in five centres. These were Halifax, Hull, Ottawa, Trois-Rivières and Charlottetown. In addition, all 27 metropolitan areas from east to west saw an increase in affordability.

Only in three other periods did affordability go up in all centres: 1983, 1985 and first half 1991.

Our 1996 outlook sees nine more centres setting new record highs in the first half: Calgary, Chicoutimi, Edmonton, Québec, Saint John, Saskatoon, Sherbrooke, St. John's and Winnipeg.

Most affordable centres are east of Ontario

The most affordable markets were found in Quebec and the Atlantic Region. These markets have one thing in common: low house prices.

At 52.8 per cent, Chicoutimi had the largest share of renters who could afford to buy; its average house price of $69,990 was second lowest in the country.

A not-too-distant second was Saint John, with a 49.2 per cent affordability indicator. The average price of a house in Saint John was $78,056.

Halifax, where house prices averaged $98,133, had 48.5 per cent on the affordability index.

Charlottetown (47.6 per cent) and St. John's (46.3 per cent) were the fourth and fifth most affordable cities in Canada. Average house prices were $75,000 in Charlottetown and $89,804 in St. John's.

The three least affordable centres in Canada had the most expensive average house prices. They were Victoria (22.3 per cent), Vancouver (24.2 per cent) and Toronto (28.7 per cent). Vancouver had the top average price, $189,900. It was followed by Victoria, with $174,500. At $168,412, Toronto's average starter home price was third highest in Canada.■

The percentage of renters who can afford to buy a starter home — 1994 to 1995

(Ranked from highest to lowest based on total households July to December 1995)

CENSUS METROPOLITAN AREAS (CMA)	2nd half of 94	1st half of 95	2nd half 1995		
	Total	Total	Total	Family	Non-Family
Chicoutimi	46.6	50.6	52.8	59.7	38.1
Saint John	46.3	43.8	49.2	51.9	43.7
Halifax	38.9	40.9	48.5	55.0	39.6
Charlottetown	39.8	43.1	47.6	52.0	42.1
St. John's	37.6	42.7	46.3	45.6	47.6
Trois-Rivières	40.3	40.9	45.8	54.0	34.3
Edmonton	37.2	38.7	44.4	50.8	36.3
Saskatoon	39.5	39.0	44.3	48.9	39.1
Regina	40.8	41.5	43.4	46.7	39.7
Hull	35.2	39.0	43.4	51.0	30.1
Thunder Bay	33.8	37.5	42.8	48.5	33.8
Calgary	33.5	36.5	41.6	49.0	32.7
Québec	33.5	39.2	40.7	51.4	28.5
Winnipeg	34.9	35.6	39.8	46.4	32.2
Sudbury	33.2	34.3	38.5	44.9	27.0
Sherbrooke	33.7	36.1	38.4	47.5	26.3
Oshawa	30.5	32.7	37.7	43.4	24.0
Montréal	30.6	32.8	37.4	47.2	25.0
St. Catharines	28.1	32.5	34.6	38.9	26.7
London	25.5	29.2	34.4	42.4	23.8
Kitchener	25.2	28.4	34.3	41.5	22.1
Windsor	28.8	30.3	34.3	39.2	26.9
Ottawa	24.6	26.6	33.9	42.7	23.8
Hamilton	22.2	24.2	30.8	37.6	19.8
Toronto	20.7	23.2	28.7	34.7	20.4
Vancouver	18.3	19.7	24.5	32.7	15.8
Victoria	12.8	16.8	22.3	31.1	12.1
Metropolitan Area Total	27.7	30.0	35.0	42.6	25.0

Source: CMHC.

Supply of affordable new housing highest ever

More new homes built at affordable prices combined with falling interest rates during the second half of 1995 have caused CMHC's supply indicator for affordable new construction to break all previous highs. It was at 58.3 per cent for the overall total. (See last column of tables, pages 4 and 5).

The Non-Family type (households of one or more unattached persons) had the biggest gain, jumping from 25.7 per cent during the first half of 1995 to 40.9 during the second half of 1995. It was still below the 42.3 per cent registered in the first half of 1994, when mortgage rates hit record lows.

First-time buyers continue to have an alternative to buying an apartment or townhouse. This alternative is in the form of single-detached units. More than half (14) of the 27 centres had over 50 per cent of the new singles and semis sold at affordable prices.

Volumes of new homes approved under FHLI were at 5191 units during the second half of 1995, an increase of 25 per cent from the second half of 1994. Of all the new units purchased under the FHLI plan, almost 50 per cent were single-detached. Higher prices resulted in single-detached sales of only 3.0 per cent in Vancouver; 84 per cent of buyers chose apartments.

The three most affordable places in the nation were, by percentage, Chicoutimi (93.1), Trois-Rivières (92.3) and St. John's (87.0).

With higher average prices, Kitchener and Oshawa were the only centres to have a drop in the supply of affordable new construction between the first and second half of 1995.■

What types of new homes are first-timers buying?

New homes insured under the First Home Loan Insurance Plan — July to December 1995

	As a percentage of total new home FHLI approvals					
	Singles	Semis	Rows	Apartments	Mobiles	Total
Halifax	65.0	25.7	1.6	0.0	7.7	183
Montréal	59.4	9.8	18.8	11.9	0.1	858
Toronto	42.2	10.6	41.5	5.7	0.0	995
Edmonton	81.0	1.3	1.7	13.1	3.0	237
Vancouver	3.3	0.0	11.9	84.4	0.3	873
Metropolitan Area Total	49.8	9.6	20.4	19.2	1.1	5,191

Source: CMHC.

Resale markets more affordable for modest income Canadians

An abundance of listings, declining prices and lower interest rates boosted affordability in resale markets across Canada during the second half of 1995. CMHC's indicator of the percentage of resale listings that are affordable was at 60.2 per cent for all centres reporting; this is up from 44.6 per cent during the second half of 1994.

Affordability for modest income Canadians (Non-Family households) saw a sizable gain, going from 30.4 per cent to 50.0 per cent between the second half of 1994 and that of 1995.

All but three of the 23 centres reporting showed 50 per cent or higher of resale listings as affordable. Communities where affordable listings comprised less than half of the market were Vancouver (32.8), Victoria (33.6) and Windsor (48.2).

Buying a resale home in late 1995 became more of a reality for both family and non-family households

The improvement in affordability had a significant impact on buying activity. Volumes of resale homes insured by CMHC's FHLI program increased more than 32 per cent between the second half of 1994 and the same period in 1995. Surprisingly, the most popular type of home insured was single-detached, with over 70 per cent of the metropolitan total.

Vancouver, where apartments accounted for almost 40 per cent, was the only metropolitan area where singles accounted for less than half the insured volume. Toronto, where 16.6 per cent were apartments, was also higher than most. In contrast, the lion's share of insured volumes in Montréal were singles (87.4 per cent); this higher proportion of insured singles indicates that Montréal is more affordable than either Vancouver or Toronto.

The five biggest percentage point increases in affordability since last June were in Edmonton (31.5), Hull (20.9), London (12.2), Halifax (12.0) and Kitchener (11.1). All areas except Regina had an increase in affordability. Higher prices and fewer affordable listings caused Regina's affordability to go down by 5.3 percentage points.■

What types of existing homes are first-timers buying?

Existing homes insured under the First Home Loan Insurance Plan — July to December 1995

	As a percentage of total existing home FHLI approvals					
	Singles	Semis	Rows	Apartments	Mobiles	Total
Halifax	70.9	12.8	3.1	3.3	10.0	704
Montréal	87.4	5.9	2.5	3.5	0.7	2,244
Toronto	52.0	16.2	15.2	16.6	0.0	5,634
Edmonton	75.6	3.0	13.2	4.6	3.6	1,368
Vancouver	44.7	0.4	14.7	39.8	0.3	1,822
Metropolitan Area Total	70.3	8.4	10.8	9.4	1.1	23,763

Source: CMHC.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1995 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Family	59,586	198,875	43.9	Condo Apartment	49.0
	Non Family	46,634	153,259	20.3	Condo Apartment	30.7
	Total	54,320	179,815	33.6	Condo Apartment	42.4
Vancouver	Family	66,375	227,238	36.8	Newer† Townhouse	47.3
	Non Family	55,047	184,856	26.8	Newer Condo Apt.	36.2
	Total	61,491	209,069	32.8	Older‡ Townhouse, New Condo Apt.	42.4
Edmonton	Family	49,969	157,312	82.3	New 2-Storey, 11/2-Storey	71.8
	Non Family	41,674	128,466	68.3	New Split, Existing Bungalow	41.1
	Total	46,423	145,178	78.0	New Split, Existing Bungalow	62.1
Calgary	Family	54,143	179,980	93.4	New 2-Storey, New Split-Level	70.1
	Non Family	45,234	150,366	80.7	New Apt. Condo, Existing Split-Level	44.8
	Total	50,255	167,055	91.6	New 2-Storey, Apartment Condo	59.7
Saskatoon	Family	51,756	157,324	83.5	Bungalow, Split-Level	79.9
	Non Family	46,996	142,857	79.5	Bungalow, Split-Level	73.2
	Total	49,794	151,362	82.4	Bungalow, Split Level	77.5
Regina	Family	54,098	162,025	50.9	Bungalow	79.6
	Non Family	49,054	146,916	85.0	Bungalow	64.5
	Total	51,866	155,340	86.6	Bungalow	75.3
Winnipeg	Family	47,299	138,383	85.2	Newer Bungalow, Older 2-Storey	53.1
	Non Family	38,455	112,509	74.2	Newer Condo, Older Bung., 11/2-Storey	19.0
	Total	43,232	126,485	80.3	Newer Bungalow, Older 2-Storey	40.1
Thunder Bay	Family	55,555	180,535	82.8	Bungalow, 2-Storey	51.4
	Non Family	42,332	137,528	67.2	Bungalow, 11/2-Storey, Row/Apt	21.9
	Total	50,205	163,105	76.0	Bungalow, 11/2-Storey, Row/Apt	28.6
Sudbury	Family	52,682	167,219	83.1	Bungalow	80.7
	Non Family	40,853	129,671	64.8	Bungalow	39.2
	Total	48,647	154,410	80.0	Bungalow	71.9
Windsor	Family	49,796	152,011	53.7	One Floor, 11/2-Storey, 2-Storey	38.6
	Non Family	41,567	126,888	37.9	One Floor, 11/2-Storey, 2-Storey	18.3
	Total	46,540	142,069	48.2	One Floor, 11/2-Storey, 2-Storey	30.6
London	Family	49,643	156,324	65.4	Row Condo, One Floor	56.1
	Non Family	40,538	127,653	44.6	Row Condo, One Floor	25.3
	Total	45,910	144,569	57.8	Row Condo; One Floor	41.3
Kitchener	Family	50,945	154,576	61.8	Row Condo, Semi, 1 1/2-Storey	41.4
	Non Family	40,559	123,064	35.8	Row Condo, Apt Condo	1.5
	Total	47,151	143,066	54.9	Row Condo, Semi, 1 1/2-Storey	25.2
St. Catharines-Niagara	Family	47,266	144,809	58.8	Split-Level, Modest 2-Storey	75.8
	Non Family	38,563	118,146	38.4	Bungalow, Row & Apt. Condo	35.0
	Total	44,158	135,287	52.1	Bungalow, Split-Level	68.4
Hamilton	Family	51,909	157,762	N/A	N/A	49.9
	Non Family	40,384	122,734	N/A	N/A	1.1
	Total	47,467	144,262	N/A	N/A	43.5

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1995 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Family	63,000	193,543	62.2***	Single, Semi	66.6
	Non Family	52,327	159,733	41.5***	Semi, Townhouse	38.6
	Total	58,581	178,825	54.6***	Single, Semi	55.9
Oshawa	Family	57,185	175,273	N/A	N/A	77.2
	Non Family	47,947	146,959	N/A	N/A	61.5
	Total	54,584	167,301	N/A	N/A	73.9
Ottawa	Family	56,726	165,277	62.9	Bungalow, Townhouse	77.8
	Non Family	46,208	134,631	40.9	Townhouse	29.2
	Total	52,006	151,525	54.4	Bungalow, Townhouse	67.0
Hull	Family	47,395	136,174	81.8	All Types	82.0
	Non Family	38,370	110,243	69.0	Bungalow, Semi	59.1
	Total	44,311	127,312	73.9	All Types	73.6
Montréal	Family	49,405	144,506	69.6	All Types	80.9
	Non Family	38,987	114,035	48.3	All Types	58.5
	Total	45,268	132,404	61.7	All Types	76.0
Trois-Rivières	Family	41,616	120,983	N/A	N/A	95.1
	Non Family	34,130	99,221	N/A	N/A	82.5
	Total	38,819	112,851	N/A	N/A	92.3
Sherbrooke	Family	41,713	118,615	72.3	Bungalow, 2-Storey	74.0
	Non Family	32,875	93,483	51.9	Bungalow	51.6
	Total	38,310	108,938	65.1	Bungalow	71.7
Québec	Family	45,599	125,574	73.6	All Types	73.1
	Non Family	36,958	101,780	55.7	All Types	49.7
	Total	42,039	115,770	67.2	All Types	64.6
Chicoutimi-Jonquière	Family	43,736	126,247	82.5	Bungalow	94.4
	Non Family	35,416	102,232	67.0	Bungalow	88.1
	Total	41,492	119,770	79.8	Bungalow	93.1
Saint John	Family	44,700	138,841	82.9	Modest 2-Storey	81.8
	Non Family	39,693	123,288	74.9	Split-Entry	76.1
	Total	42,913	133,289	80.6	Modest 2-Storey	80.7
Halifax	Family	49,684	156,904	80.8	2-Storey	88.5
	Non Family	43,502	137,379	78.0	Semi-Detached	75.4
	Total	47,235	149,168	72.0	Split-Level	83.5
St. John's	Family	47,834	145,731	86.2	Bungalow with basement apartment	87.0
	Non Family	47,579	144,953	86.0	Bungalow with basement apartment	85.2
	Total	47,747	145,468	86.2	Bungalow with basement apartment	87.0
Charlottetown	Family	44,888	137,972	64.9	All Types	77.4
	Non Family	35,858	110,216	40.8	Bungalow	50.0
	Total	41,044	126,156	54.7	All but 2-Storey	69.0
Metropolitan Area Total	Family			66.1		66.5
	Non Family			50.0		40.9
	Total			60.2		58.3

** Calculated with a mortgage rate of 8.2 per cent.*
*** Percentage of new dwellings sold at or below the maximum affordable house price.*
**** Calculated using sales instead of active listings.*

† Newer is five years old or less.
‡ Older is ten years old or more.
N/A is data not available from the local real estate board.

Sources: CMHC, local Real Estate Boards and Statistics Canada.

Toronto rental market shows resistance to high rents

During most of the 1980s, it was widely believed that Toronto's rental housing market was polarized, or two-tiered. Buildings constructed prior to 1975 have been subject to rent controls, but newer buildings were exempt from controls, at least until 1987. As a result of the exemption, owners of newer buildings have been able to charge higher rents.

A related notion is that rents will naturally vary between buildings, due to differences in quality. Quality is difficult to measure; however, we know the age of buildings, and age is related to quality. New buildings have better amenities and facilities, are constructed to modern technical standards, and reflect modern tastes. Older buildings are often more modest. The passage of time (depreciation) also reduces their attractiveness and the rent that can be charged for them. However, for the oldest buildings — especially those constructed before 1950 — rents are often high. This reflects their cachet as unique properties: they are often in highly desirable central locations and many of them have been renovated to high standards.

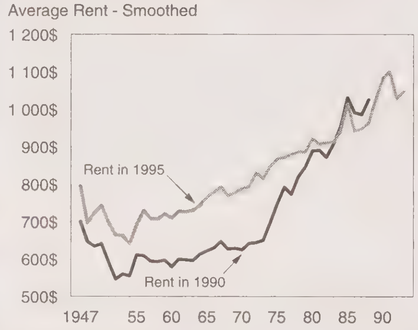
This article explores how rents in the Toronto CMA apartment market have changed in the last five years. It confirms that new buildings have high rents compared to old buildings. For buildings constructed after 1975, there is an additional gap above what might be expected on the basis of age alone. This reflects the polarized market. However, the new buildings show surprisingly small rent increases between 1990 and 1995.

Rents in 1990 and 1995

The first graph shows rents for 2-bedroom units. Rents are shown for October 1990 and October 1995. The rents are for each year of construction. There is a clear pattern of higher rents in newer buildings. For buildings constructed after the mid 1970s, there is an additional jump in rents. This is especially obvious in the 1990 rents. By 1995, there is a much smaller gap for post-1975 buildings.

The data show that for buildings completed prior to the mid 1970s, rents increased by as much as $150 during the five years. For newer buildings, there was little or no change in rents, and there were some reductions in average rents for new buildings.

Two-bedroom apartments — Toronto CMA, 1990 and 1995



SOURCE: CMHC.

The next step uses a regression analysis. It shows — on a trend basis — how rents vary for different ages of buildings. It explicitly estimates the jump in rents for the post-1975 buildings. Once again, rents are shown as of October 1990 and October 1995.

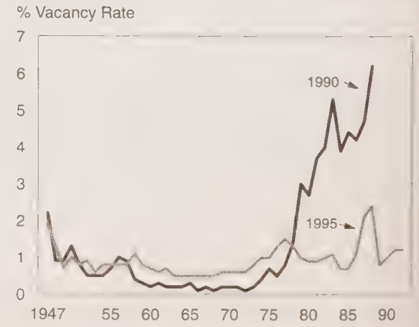
The main results of the analysis are:

- There is a natural age premium. For each year of age, rents differ by $7.68 for 2-bedroom apartments. If a 2-bedroom apartment that was built in 1960 has a rent of $720, a similar unit constructed in 1970 should have a rent of $797.
- In addition to the tendency for newer buildings to have higher rents, there is a big, additional shift for post-1975 buildings. As of 1990, rents for post-1975 buildings were $200 above the trend line.
- As of 1995, there was still a gap, but it was substantially reduced, to $33 (a 4 per cent gap).
- Apartments constructed before 1975 saw rent increases roughly equal to the rent control guideline (24.5 per cent). For a typical two-bedroom apartment constructed in 1970, the increase was 21.9 per cent.
- For newer buildings, rents showed virtually no increases between 1990 to 1995.
- For newer apartments, which had no rent increases, the rent control guideline was not a constraint. Rents were limited by market forces, including competition from other new buildings and the availability of cost-competitive home-ownership alternatives. The rents for these apartments are, as of October 1995, at the level dictated by the market. The next section suggests that in the first half of this decade vacancies imposed constraints on the rents that could be charged for newer buildings.

Vacancy rates in 1990 and 1995

The Toronto CMA rental market was extremely tight during the mid 1980s. In 1987, the vacancy rate was a minuscule 0.1 per cent. As an economic slowdown began in 1988, vacancies began to increase, reaching 1.0 per cent by October 1990 and peaking at 2.2 per cent in October 1992. Since then vacancies have fallen, *continued on page 8*

Apartment Vacancy Rate Toronto CMA, 1990 and 1995



SOURCE: CMHC.

Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JUL.-DEC. 1994	JUL.-DEC. 1995	JUL.-DEC. 1994	JUL.-DEC. 1995	JUL.-DEC. 1994	JUL.-DEC. 1995	JUL.-DEC. 1994	JUL.-DEC. 1995	JUL.-DEC. 1994	JUL.-DEC. 1995	JUL.-DEC. 1994	JUL.-DEC. 1995
Victoria	187,999	174,500	1,521	1,253	1,549	1,636	657	657	1,705	1,444	63,924	54,166
Vancouver	184,629	189,900	1,496	1,356	1,541	1,572	447	479	1,662	1,527	62,330	57,262
Edmonton	103,960	102,920	845	739	1,347	1,350	612	631	1,008	904	37,808	33,911
Calgary	122,893	121,000	999	869	1,303	1,315	546	550	1,153	1,024	43,234	38,419
Saskatoon	78,234	80,444	636	578	1,570	1,592	689	644	824	764	30,904	28,654
Regina	75,082	81,451	610	585	2,020	2,070	668	625	834	810	31,284	30,360
Winnipeg	79,879	81,500	649	585	2,230	2,339	790	819	901	849	33,784	31,820
Thunder Bay	112,053	108,500	911	779	1,331	1,329	907	971	1,097	971	41,146	36,414
Sudbury	109.046	112,784	886	810	1,571	1,558	836	878	1,087	1,013	40,758	37,990
Windsor	109,206	114,293	888	821	1,660	1,660	727	684	1,087	1,016	40,746	38,109
London	122,123	119,422	993	858	1,636	1,665	727	684	1,190	1,053	44,608	39,506
Kitchener	129,990	129,085	1,057	927	2,121	2,131	727	684	1,294	1,162	48,521	43,566
St.Catharines-Niagara	108,371	111,172	881	798	1,883	1,947	690	650	1,095	1,015	41,072	38,059
Hamilton	137,563	135,704	1,118	975	2,099	2,098	727	684	1,354	1,207	50,761	45,245
Toronto	169,718	168,412	1,379	1,210	2,749	2,749	690	650	1,666	1,493	62,477	55,983
Oshawa	138,746	142,215	1,128	1,021	2,380	2,374	690	650	1,384	1,273	51,882	47,754
Ottawa	135,022	128,946	1,097	926	2,935	2,963	751	707	1,405	1,232	52,671	46,198
Hull	97,689	94,097	794	676	1,941	1,946	1,273	1,265	1,062	943	39,820	35,381
Montréal	102,019	101,000	829	725	1,937	1,951	1,242	1,234	1,094	991	41,029	37,159
Trois-Rivières	68,539	67,681	557	486	1,409	1,409	1,323	1,315	785	713	29,428	26,742
Sherbrooke	79,272	81,234	644	583	1,579	1,592	1,353	1,345	889	828	33,324	31,058
Quebec	89,370	88,029	726	632	1,956	1,970	1,353	1,345	1,002	908	37,580	34,069
Chicoutimi-Jonquière	72,018	69,985	585	503	1,527	1,532	1,404	1,395	830	747	31,110	27,999
Saint John	72,190	78,056	587	561	1,113	1,160	1,165	1,063	777	746	29,121	27,972
Halifax	101,745	98,133	827	705	1,367	1,366	1,000	912	1,024	895	38,407	33,549
St. John's	92,581	89,804	752	645	1,095	1,097	1,189	1,155	943	833	35,355	31,224
Charlottetown	77,000	75,000	626	539	1,358	1,405	1,033	1,043	825	743	30,942	27,848

Sources: CMHC and Natural Resources Canada.
Note that the taxes do not include any rebates.

continued from page six reaching 0.8 per cent by October 1995.

As has been seen, at the start of the 1990s there were huge differences in rents between old and new apartments. With increased vacancies, more competition between landlords, and more consumer choice, newer, high-rent projects saw the greatest increase in vacancies. The second graph shows that as of 1990, units completed prior to the mid 1970s had very low vacancies, but vacancies were sharply higher for new structures.

Subsequently, with the realignment of rents, the distribution of vacancies has become much more equal. New units have seen a sharp drop in vacancies. Middle-aged projects (built between 1960 and the mid 1970s) have seen a small increase in vacancies. At this point, there is just a slightly lower vacancy rate for middle-aged rental projects. This indicates that the realignment of rents is close to completion, but not quite done yet.

Conclusions

At the start of the decade, Toronto's rental market was clearly polarized — there was a large rent gap between new and old buildings. As of the fall of 1995, the difference had been considerably reduced, although a small gap remains.

It appears that the distribution of rents for pre- and post-1975 buildings will continue to converge, until there is no gap for post-1975 buildings. At that time, the distribution of rents by year of construction should be a straight line, rising gradually to reflect a small new-unit premium. This adjustment could occur through continued increases in the rents of pre-1975 buildings, with slower increases for new buildings. At current rates of rent increases, this could take another two years. Once this adjustment has occurred, it is possible that pre- and post-1975 buildings will see rents increase at about the same rate.

With continued tightening of the Toronto CMA rental market, market forces will dictate some acceleration of rent increases. However, the rate of increases will be tempered by competition from the homeownership alternative, especially for newer projects with high rents. An additional factor is the recent reduction in social assistance payments in Ontario. This will certainly result in some reduction in rental demand in the Toronto CMA.

Notwithstanding the tightening of the Toronto CMA rental market, there are limits to rent increases. Competition from homeownership alternatives will tend to limit rent increases in the upper part of the market while reduced social assistance payments will limit increases in the bottom half. The greatest pressures for rent increases will be in the middle, including the large group of buildings that were constructed during the 1960s and early 1970s.■

This article was written by Willard Dunning, Senior Market Analyst at CMHC's Toronto Branch. A more comprehensive version of this report is available from Toronto Branch at a price of $15. Contact Beverly Doucette (416) 789-8708.

DEFINITIONS

DEMAND AFFORDABILITY INDICATOR

Per Cent of Renters Who Can Afford:

This represents the percentage of renter households in the prime home buying age group of 20 to 44 years, who have an income equal to or greater than the income required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included in the analysis. Renter households who qualify for NHA social housing programs are also included.

Average Starter House Price:

The average starter house price is defined as the average price for an NHA insured home and includes the following house types: single; semi-detached; rowhouse; mobile home; and apartment condominium. To insure that NHA starter home prices are representative of first time buyers from one time period to another, the data are analyzed to control for distribution changes that would otherwise skew the average. NHA insured homes are typically bought by young first-time buyers with less than 25 per cent downpayment. The price is the average for each six month period. This price excludes those homes insured under the five per cent downpayment program.

Monthly Mortgage Cost:

The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent downpayment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes:

Average property taxes for a dwelling owned and occupied by its owner. Data are CMHC estimates.

Heating Costs:

Average heating costs representative of a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs:

Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs:

The income required to service the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage:

A three-year term closed mortgage was assumed with a 25 year amortization period. An average mortgage rate of 9.8 per cent was used for the last half of 1994 and a rate of 8.2 per cent was used for the last half of 1995.

SUPPLY INDICATORS

Renter Household Types:

Renter households aged 20-44 who have the potential to become home owners in the near future are included in the supply analysis. They are classified as either a non-family household, which includes households of one or more unattached persons or family households which include at least one economic family. An economic family is defined as a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low income renters eligible for NHA social housing programs have not been included in the supply indicator.

Maximum Affordable House:

Maximum price a household could afford based on its income and assuming a 32 per cent gross debt service ratio to service the mortgage payment, property taxes and heating costs. A three year mortgage rate of 8.2 per cent is used and a 10 per cent down payment is assumed.

Resale Supply Available:

The per cent of MLS active listings at or below the maximum affordable house price.

Most Prevalent House Types:

The house types most often listed in the supply of active MLS listings. The house types are not exclusive of other house types that could also be included in the supply available.

Affordable New Construction:

The per cent of new single, semi, apartment or row dwellings sold at or below the maximum affordable house price.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. Comments and requests for additional information may be referred to
Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582.

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Annual subscription (4 issues) $44 + GST
Catalogue No. CHMSE
Single issue $11 + GST
Catalogue No. CHME1

Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*
Numéro de catalogue CHMSF

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ISSN 1188-4487
Printed in Canada

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CANADIAN HOUSING

MARKETS

CMHC Market Analysis Centre Second Quarter 1996

Excessive homeowner mortgage debt: more perception than reality

Household debt in Canada has been the source of considerable interest in early 1996. Recently released data for a number of widely reported indicators of personal financial health has raised the concern that households are buried under record high debt levels.

This article analyses the situation by examining three key indicators of debt: mortgage and consumer credit as a percentage of personal disposable income, personal bankruptcies and CMHC mortgage defaults. The remainder of this article answers two important questions:

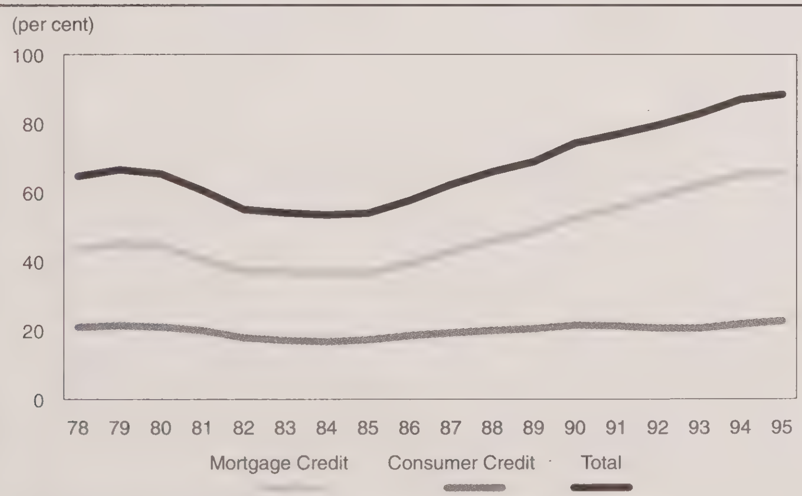
- Are homeowners buried under a mountain of debt?
- Why are personal bankruptcies and mortgage defaults setting record highs?

Overall the analysis shows that homeowners in Canada are not buried under a mountain of debt and their mortgage debt levels are not as high as some indicators suggest.

Another important finding is that record personal bankruptcies and claims on CMHC-insured mortgages in 1995 were not caused by excessive debt levels. Since 1991, many Canadians have lost their jobs as a result of economic restructuring and downsizing. The decline in their income has become so serious that record numbers of people can no longer continue making payments on debts that they had previously been able to carry.

Research confirms that these circumstances are a major cause underlying insolvency: approximately 75 per cent of Canadians who declared bankruptcy had changed jobs or had their employment interrupted within the previous three years.

Credit to Personal Disposable Income Ratios
Canada 1978-1995



Source: Bank of Canada, Statistics Canada.

Are homeowners buried under a mountain of debt?

As shown in the accompanying graph, mortgage and consumer credit has increased significantly as a percentage of personal disposable income since 1984. By the end of 1995, the ratio hit a historic high of 89.6 per cent, prompting many in the industry to conclude that household debt levels were becoming critical.

Underlying the movement in the ratio has been an explosive growth in residential mortgage credit, which increased 185 per cent between 1985 and 1995.

continued on next page

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During the same time period, consumer credit, such as personal loans, credit cards and lines of credit, increased more moderately, at 108 per cent. Personal disposable income grew the least, at 59 per cent.

The data published on credit levels and personal income is timely and comprehensive. The information is part of both the Bank of Canada's financial reporting and the national accounts. Together, these two sources provide an excellent framework for monitoring aggregate economic and financial flows of the economy. However, a number of conceptual and reporting requirements make it difficult to definitively relate the aggregate statistics reported for residential mortgage credit to the financial health of households, particularly those that are homeowners.

Strong relationships cannot be established between residential mortgage debt and homeowners.

The most important reason why strong relationships cannot be established between residential mortgage debt and households is that the total residential mortgage credit outstanding includes all institutional mortgages taken out on residential property in Canada. This includes mortgages taken out by homeowners on the homes they own and occupy, as well as residential mortgages for investment properties, whether by private individuals, institutional investors or corporations.

The total could also include residential mortgages placed on personal residences for purposes like equity take-out or small business loans, or for securing investment loans.

It is clear that when all types of residential mortgages are reported, the total will be all-inclusive for the purpose of monitoring national credit levels. It is also evident that homeowners are not the only sector of the economy creating and paying the cost of sustaining the aggregate pool of residential mortgages in Canada. Unfortunately, these sources do not reflect the distribution of residential mortgages held by different types of property owners.

A second limitation of the data making it difficult to draw definitive conclusions about the financial health of households is the definition of personal disposable income. In the national accounts, figures for personal income combine income from a variety of sources. Some relate specifically to ways in which households earn income or receive money transfers, while others relate more to business and commercial activities that generate income.

To be sure, the most important sources of income included specifically relate to the personal household sector, such as wages, salaries and supplementary labour income. In 1995, this category was by far the largest single source, accounting for 63 per cent of total personal income.

Sources relating more to business and commercial activities are net income from farm production and from non-farm unincorporated businesses. For any unincorporated business earning rent, only net rental income is included. This is an important consideration in assessing the ratio of residential mortgage credit to personal disposable income, as the income does not include gross rents which would service any investment-related mortgage debt. The mortgage balance, however, would be included in the pool of mortgages outstanding, and as a result the ratio would be artificially inflated.

Compounding this effect is the fact that the pool of aggregate residential mortgages also includes mortgages on rental properties held by incorporated businesses, (such as institutional investors and corporations). Neither the gross nor the net rents they receive to service the debt is included in the ratio.

In view of the fact that 36.3 per cent of Canada's housing stock was rented in 1995, (the proportion of residential mortgages that are *continued on next page*

Summary of Mortgage Debt Outstanding
in Billions $

	1988	1991	Percentage Change 1988-1991
All Residential Mortgages(1)	181.3	258.6	43%
Homeowner Mortgages(2)	103.8	132.4	28%
Difference	77.5	126.2	63%
Per cent	42.7	48.8	

Sources: (1) Bank of Canada
(2) HIFE Survey, Shelter Cost of Survey of 1988 and 1991, Statistics Canada.
Percentage is item (2) divided by item (1).

rental is not known), the combined effect on the ratio is significant.

In 1988 and 1991, a special Shelter Cost Survey was conducted as part of an expanded annual Household, Income, Facilities and Equipment Survey (HIFE). The survey ascertained the outstanding mortgage balance of homeowners. The summary below compares the homeowner mortgage debt reported in the Shelter Cost Survey with the total of all residential mortgages reported by the Bank of Canada.

As shown at the bottom of page two, in 1988 the aggregate homeowner mortgage balance was \$103.8 billion, \$77.5 billion less than the \$181.3 billion reported for all residential mortgages. By 1991, the total homeowner mortgage balance increased 28 per cent to \$132.4 billion. The aggregate balance of all residential mortgages grew significantly faster, increasing 43 per cent to \$258.6 billion. Of more interest is the difference between the two pools of mortgage balances outstanding. By 1991, the difference (which represents income-producing investment mortgages) increased an amazing 63 per cent, to \$126.2 billion.

The results of this comparison are consistent with the findings of two major research studies on the creation of rental units during the 1980s. The first, a study of the Ontario Rental Housing Market by M. Steele ("Conversions, Condominiums and Capital Gains: The Transformation of the Ontario Rental Housing Market," *Urban Studies*, vol. 80, no. 1, 1993, 103-126), showed a significant shift in rental investment in the 1980s from corporate investors to individual investors. Between 1982 and 1986, approximately 78,000 rental units were created by conversion from home ownership units to rental.

A second research study of selected rental markets (CMHC and B.C. Housing Management Commission, *Rental Housing: A Study of Selected Local Markets*, 1991) found that over 25,000 rental units were created in Vancouver between 1985 and 1989, most by the sale of owner-occupied homes to individual investors for subsequent rental.

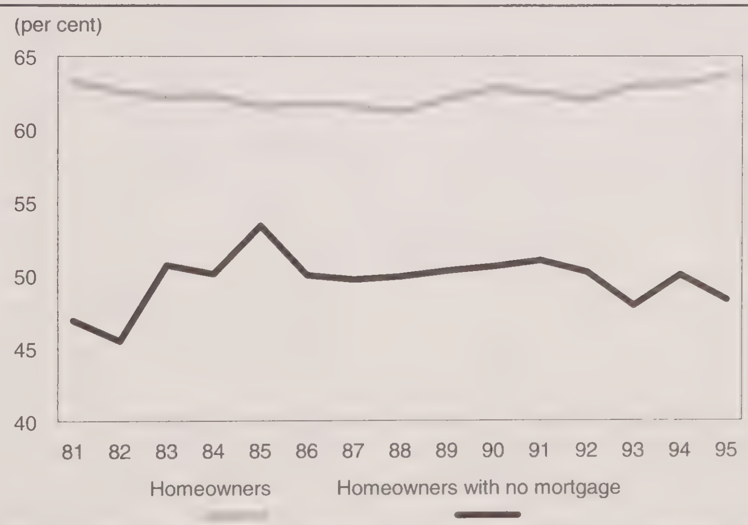
In both studies, small and individual investors were motivated by (1) the prospect of future capital gains; (2) changes to the tax system introduced in 1984 that allowed individual investors a lifetime capital gain exemption; and (3) rising real estate markets in Southern Ontario, the lower mainland area of Vancouver and Victoria during the second half of the 1980s.

Overall, the findings clearly indicate that growth in residential mortgages in the second half of the 1980s was led by a significant amount of investment-related mortgage activity. The combined impact of these factors explains the rapid growth in residential mortgages outstanding and the dramatic rise in the ratio of mortgage debt to income, particularly between 1985 and 1991. Because of reporting limitations, the data and analysis do not provide conclusive insight into the question of whether the level of homeowner mortgage credit became excessive.

Despite the large increases in residential mortgage growth in the last ten years,almost one homeowner in two remains mortgage-free in Canada.

Further insight into these questions is available from the annual Household, Income, Facilities and Equipment Survey. The HIFE survey provides annual information on the number of households that are homeowners, the number with mortgages, and income levels. The accompanying chart shows the proportion of households that are homeowners and the *continued on next page*

Homeowner Households and Homeowners With No Mortgage



Source: Statistics Canada HIFE Survey.

percentage without mortgages between 1981 and 1995.

Since 1981, the proportion of homeowner households has fluctuated from a low of 61.2 per cent in 1988 to a 15-year high of 63.7 per cent in 1995. Of more significance is the data that shows stability in the proportion of homeowners with no mortgage. It has been 50 per cent throughout most of the period. During 1993-95, the proportion of homeowners without a mortgage dropped to 47.9 per cent, then increased to 48.3 per cent. The decline was almost entirely caused by a high number of renters buying their first home during these three years.

This data indicates that despite the large increases in residential mortgage growth in the last ten years, almost one homeowner in two remains mortgage-free in Canada. The HIFE data for 1994 indicates that the vast majority of homeowners over 60 were mortgage-free. Data also reveals a surprising proportion of younger homeowners with no mortgage.

Homeowner Households

Age Group	% Mortgage Free
20-34	19
35-39	25
40-44	32
45-59	52
60-64	78
65 +	86

Source: Statistics Canada, HIFE Survey 1994.

Now we can return to the question: "Are homeowners buried under a mountain of debt?" The above analysis of HIFE data indicates that with almost half of all homeowners without a mortgage in 1995, the critical question becomes whether the level of indebtedness for households with a mortgage is excessive.

Unfortunately, national data specific to the income and mortgage balance of homeowners has not been collected since the last Shelter Cost Survey in 1991. At that time, CMHC calculations indicated that the average Gross Debt Service (GDS) ratio of home owners with a mortgage was 21.4 per cent.

This means that homeowner payments for mortgage interest, principal, property tax and heating costs represented only 21.4 per cent of gross household income. This level of shelter cost is more than ten percentage points below the industry-accepted limit of 32 per cent. The GDS ratio was below the 32 per cent limit for all age groups, even the youngest homeowners, those under 24 years, who had the highest ratio of all age groups: 28.4 per cent.

The average GDS ratio in 1991 of 21.4 per cent was about the same as in 1988, when it averaged 20.8 per cent. The stability of the ratio well below the accepted limit during those three years indicates that despite strong growth in mortgage activity, homeowner mortgage debt relative to income was stable and not excessive.

The only major information available that would allow us to update this analysis for the years since 1991 shows the average GDS and Total Debt Service (TDS) levels for first-time buyers and repeat buyers who have purchased a home with a CMHC-insured mortgage. During this period, CMHC insurance activity set records in helping almost one million households buy homes, most of them for the first time.

Homebuyers have not, on average, taken on the maximum mortgage or total debt they could afford at the time of purchase.

A profile of average GDS and TDS ratios for these homebuyers indicates they have not, on average, taken on the maximum mortgage or total debt they could afford at the time of purchase. Average GDS and TDS levels between 1992 and 1994 have averaged 23 per cent and 32 per cent, about 10 percentage points below the limits of 32 per cent and 42 per cent.

The main finding of this analysis is that, on average, new home owners in the last five years did not take on more debt than they could manage at the time of mortgage approval. This finding stands despite strong first-time buyer activity. In fact, a continual pattern has emerged, that the mortgage debt levels of homeowners are well below industry GDS and TDS limits.

continued on page 11

Homeowner* Shelter Costs to Income Ratio

Age Group	1988	1991
< 24	25.1	28.4
25-29	24.2	24.5
30-34	22.0	22.7
35-39	21.4	22.4
40-44	19.1	19.9
45-59	18.1	19.6
60-64	21.9	20.4
65 +	25.6	23.1
Total	20.8	21.4

** Homeowners with a mortgage.*

Source: HIFE Survey, Shelter Cost of Survey of 1988 and 1991, Statistics Canada

Resale market and single starts to rebound in 1996

FORECAST HIGHLIGHTS

- ***Resale activity will be higher in 23 of the 27 major centres in 1996, for an overall increase of 7 per cent.***
- ***Single housing starts will rebound in 18 centres, for a total increase of 11 per cent.***
- ***Total starts will increase in 16 of the major centres in 1996, although the level will be marginally down from 1995 as a result of 13 per cent fewer multiple starts.***
- ***Employment will be up in 20 major centres, with an average increase of 1.2 per cent.***

The housing market overall will turn around in 1996 and will continue the positive tone established in the final quarters of 1995. Supporting this rebound will be strengthening consumer confidence as a result of improving employment combined with an abundant supply, attractive prices and near-record low mortgage rates.

The 7 per cent increase in the number of resales and higher single starts will buoy many housing markets across Canada, especially after 13 per cent fewer resales and almost 30 per cent fewer total starts in 1995. Average prices of resale homes will increase in 15 of the 27 major markets, and prices of new single homes will increase in nine major markets.

The positive outlook for resales is against a background of ample supply of existing homes, often combined with good location and low prices. First-time buyers will continue to account for much of the strength in resales. A small upturn in move-up activity is also forecast. Overall resales will increase in 23 major centres.

While starts are forecast to increase in 16 major centres, the rebound in construction will come mainly in the singles market. Single-detached housing starts will increase in 18 major centres. Increases in all of them will follow declines in 1995. Conditions that are attractive for both first-time buyers and move-up buyers are responsible for this rise in activity.

Tightening vacancy rates in 15 major centres in 1996 will make homeownership more attractive for some people. However, the vacancy rate will remain at 4.2 per cent overall, limiting the construction of rental apartments in many centres.

In another development that will have a positive effect on sales, job growth will be 1.2 per cent on average for all major centres, about the same as the 1.9 per cent growth last year. Also of significance is the forecast that 20 centres out of 27 will have job growth in 1996.

Excellent buying conditions will drive resales up

The resale market will rebound in 1996 as an abundant supply, attractive prices, near-record low mortgage rates and improving job prospects combine to create excellent buying opportunities across the country. Increased resales in 23 of the 27 major centres will represent a major rebound after declines in 25 centres in 1995.

The 1996 upturn will be strongest in Vancouver in the west, Saint John and Trois-Rivières in the east, and Kitchener and Sudbury in central Canada. Total demand for homes will grow very little in Vancouver because the increase in resales will be the result of a shift from the new house market. A wide selection of homes on the market, better prices and homes closer to the city centre will support this increase in sales.

According to CMHC's affordability indicator, published in the first quarter edition of 1996, the Saint John and Trois-Rivières markets are among the most affordable in the country. These two markets are ripe for an increase in home ownership. The upsurge in Kitchener and Sudbury mainly reflects a reversal of the low levels of 1995 and increased desire for home ownership.

The centres forecast to have the largest percentage increases in southern Ontario are Kitchener (15.7), St. Catharines (10.3), Hamilton (8.6), London (7.5) and Windsor (6.8). Toronto-Oshawa will be the only region in southern Ontario with less activity in the resale market for the second year in a row. In the Toronto-Oshawa region, job growth is slow and public and private sector cutbacks are dampening consumer confidence.

Although combined average resale activity in *continued on page 8*

Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE CHG INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT +APT. STRUCTURES VACANCY RATES OCTOBER %
Victoria	1994	146,800		2,303		-0.9	710		299,000		6,260		256,000		1.9
	1995	144,200	-1.8	1,299	-43.6	-8.6	449	-36.8	318,500	6.5	5,142	-17.9	242,000	-5.5	3.3
	1996**	143,000	-0.8	1,155	-11.1	0.5	480	6.9	312,000	-2.0	5,400	5.0	238,000	-1.7	3.6
Vancouver	1994	896,000		20,473		-0.6	6,345		497,656		30,023		387,177		0.8
	1995	910,000	1.6	14,992	-26.8	-5.2	4,526	-28.7	530,097	6.5	21,531	-28.3	405,432	4.7	1.2
	1996**	920,000	1.1	13,000	-13.3	-2.0	4,200	-7.2	545,000	2.8	25,000	16.1	415,000	2.4	1.5
Edmonton	1994	439,000		5,006		0.9	3,225		163,962		9,766		124,806		8.9
	1995	453,000	3.2	3,082	-38.4	-1.3	2,159	-33.1	159,692	-2.6	8,884	-9.0	120,832	-3.2	10.2
	1996**	463,000	2.2	3,700	20.1	1.2	2,800	29.7	162,000	1.4	9,803	10.3	122,000	1.0	8.0
Calgary	1994	406,400		6,877		2.4	5,179		177,569		15,144		132,495		5.1
	1995	426,500	4.9	5,685	-17.3	0.5	4,387	-15.3	180,220	1.5	13,003	-14.1	132,151	-0.3	3.6
	1996**	447,000	4.8	5,900	3.8	0.0	4,800	9.4	179,000	-0.7	14,700	13.1	134,000	1.4	3.2
Saskatoon	1994	104,400		682		1.5	370		140,035		2,754		81,720†		1.8
	1995	106,400	1.9	697	2.2	2.0	479	29.5	142,974	2.1	2,814	2.2	82,030†	0.4	1.0
	1996**	107,000	0.6	625	-10.3	2.0	425	-11.3	145,800	2.0	2,750	-2.3	83,500†	1.8	2.0
Regina	1994	99,900		462		3.9	393		145,542		2,791		73,522†		3.2
	1995	98,900	-1.0	371	-19.7	3.0	311	-20.9	144,379	-0.8	2,588	-7.3	76,629†	4.2	2.1
	1996**	100,000	1.1	425	14.6	2.8	350	12.5	142,000	-1.6	2,750	6.3	78,000†	1.8	2.0
Winnipeg	1994	330,170		1,528		3.4	1,201		140,155		9,923		84,812		5.6
	1995	343,330	4.0	1,104	-27.7	1.5	841	-30.0	151,333	8.0	8,868	-10.6	82,646	-2.6	5.4
	1996**	348,500	1.5	1,150	4.2	1.7	900	7.0	150,000	-0.9	9,150	3.2	84,300	2.0	5.2
Thunder Bay	1994	60,500		451		1.4	296		176,541		1,453		115,289		4.1
	1995	63,800	5.5	289	-35.9	0.4	197	-33.4	183,488	3.9	1,393	-4.1	110,887	-3.8	6.2
	1996**	65,200	2.2	407	40.8	0.5	230	16.8	189,051	3.0	1,420	1.9	113,105	2.0	6.2
Sudbury	1994	75,000		712		1.4	448		147,003		1,754		112,278		4.3
	1995	78,250	4.3	336	-52.8	0.3	257	-42.6	149,825	1.9	1,723	-1.8	113,767	1.3	6.0
	1996**	81,000	3.5	300	-10.7	1.8	250	-2.7	145,000	-3.2	2,000	16.1	114,000	0.2	6.5
Windsor	1994	127,400		1,661		0.1	1,340		191,986		4,953		116,457		1.6
	1995	126,800	-0.5	1,495	-10.0	1.6	1,217	-9.2	187,265	-2.5	4,589	-7.3	117,390	0.8	1.8
	1996**	129,000	1.7	1,850	23.7	1.2	1,300	6.8	190,000	1.5	4,900	6.8	120,000	2.2	1.0
London	1994	211,500		1,972		0.2	905		202,800		5,793		134,089		4.1
	1995	207,900	-1.7	1,016	-48.5	-2.7	579	-36.0	205,976	1.6	5,397	-6.8	127,167	-5.2	4.3
	1996**	208,700	0.4	1,265	24.5	0.0	700	20.9	204,000	-1.0	5,800	7.5	128,700	1.2	4.0
Kitchener	1994	204,000		1,747		-2.6	1,225		177,200		3,689		141,711		2.8
	1995	205,000	0.5	1,105	-36.7	0.0	1,105	-9.8	178,577	0.8	3,458	-6.3	135,452	-4.4	2.2
	1996**	210,000	2.4	1,350	22.2	1.0	1,350	22.2	182,000	1.9	4,000	15.7	138,000	1.9	2.2
St. Catharines-Niagara	1994	153,100		1,703		-3.9	935		166,929		2,567		125,503		5.8
	1995	158,700	3.7	898	-47.3	-1.0	565	-39.6	175,466	5.1	2,394	-6.7	122,328	-2.5	5.2
	1996**	159,500	0.5	1,125	25.3	-0.6	790	39.8	177,350	1.1	2,640	10.3	122,450	0.1	4.9
Hamilton	1994	312,000		2,833		-0.3	1,670		205,183		8,345		145,939		2.4
	1995	317,100	1.6	2,001	-29.4	0.7	1,057	-36.7	208,796	1.8	7,736	-7.3	141,128	-3.3	2.0
	1996**	322,000	1.5	2,300	14.9	1.0	1,300	23.0	205,000	-1.8	8,400	8.6	143,000	1.3	1.8
Toronto	1994	2,043,000		18,443		-0.2	10,811		291,596		44,237		208,921†		1.2
	1995	2,123,000	3.9	16,325	-11.5	0.9	6,879	-36.4	306,738	5.2	39,273	-11.2	203,028†	-2.8	0.8
	1996**	2,140,000	0.8	16,100	-1.4	0.9	9,000	30.8	295,000	-3.8	38,000	-3.2	198,000†	-2.5	0.8

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE CHG INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT +APT. STRUCTURES VACANCY RATES OCTOBER %
Oshawa	1994	126,000		1,963			1,485		177,055		4,469		140,031		3.4
	1995	127,800	1.4	1,330	-32.2		1,035	-30.3	184,000	3.9	4,113	-8.0	137,958	-1.5	2.7
	1996**	127,000	-0.6	1,250	-6.0		1,000	-3.4	184,000	0.0	4,000	-2.7	137,500	-0.3	2.2
Ottawa	1994	393,400		3,929		0.2	1,732		198,742		7,620		147,543		2.6
	1995	380,800	-3.2	2,190	-44.3	-1.8	807	-53.4	217,200	9.3	6,481	-14.9	143,193	-2.9	3.8
	1996**	382,200	0.4	2,312	5.6	-0.5	1,085	34.4	204,500	-5.8	7,430	14.6	142,100	-0.8	4.0
Hull	1994	148,000		2,128			987		127,703		1,634		104,700		6.6
	1995	150,000	1.4	1,208	-43.2		548	-44.5	125,200	-2.0	1,243	-23.9	102,600	-2.0	8.3
	1996**	148,000	-1.3	1,000	-17.2		450	-17.9	123,000	-1.8	1,400	12.6	101,500	-1.1	7.5
Montréal	1994	1,523,000		13,157		0.5	6,134		137,602		18,381		116,307		6.8
	1995	1,544,000	1.4	7,468	-43.2	0.7	3,818	-37.8	141,371	2.7	16,225	-11.7	114,185	-1.8	6.2
	1996**	1,569,000	1.6	7,000	-6.3	0.0	3,700	-3.1	139,000	-1.7	18,500	14.0	113,000	-1.0	6.0
Trois-Rivières	1994	63,800		938			315		89,800		666		73,900¶		7.4
	1995	62,700	-1.7	519	-44.7		217	-31.1	94,800	5.6	674	1.2	70,800¶	-4.2	7.3
	1996**	62,700	0.0	560	7.9		200	-7.8	92,000	-3.0	775	15.0	73,000¶	3.1	5.8
Sherbrooke	1994	67,250		983			434		101,100		860		84,800		8.0
	1995	65,500	-2.6	582	-40.8		332	-23.5	106,000	4.8	758	-11.9	81,400	-4.0	6.2
	1996**	66,200	1.1	625	7.4		295	-11.1	105,000	-0.9	800	5.5	83,500	2.6	5.8
Québec	1994	323,500		4,677		-0.5	1,842		96,900		3,997		84,000‡		6.9
	1995	316,500	-2.2	2,405	-48.6	0.7	1,077	-41.5	97,600	0.7	3,650	-8.7	83,000‡	-1.2	6.0
	1996**	315,400	-0.3	2,400	-0.2	-0.5	1,120	4.0	97,100	-0.5	3,800	4.1	82,000‡	-1.2	5.5
Chicoutimi-	1994	59,500		606			281		86,260		1,295§		78,400		6.3
Jonquière	1995	61,830	3.9	311	-48.7		166	-40.9	88,200	2.2	1,222§	-5.6	74,700	-4.7	6.0
	1996**	62,500	1.1	310	-0.3		170	2.4	90,500	2.6	1,260§	3.1	78,500	5.1	5.7
Saint John	1994	58,600		442		0.1	379		107,442		963		84,430		8.0
	1995	59,300	1.2	267	-39.6	0.1	195	-48.5	108,968	1.4	908	-5.7	88,581	4.9	8.6
	1996**	57,800	-2.5	300	12.4	0.4	240	23.1	110,750	1.6	1,050	15.6	86,700	-2.1	8.8
Halifax	1994	165,000		2,460		2.8	1,412		124,500		4,636		103,481		7.2
	1995	166,000	0.6	2,080	-15.4	2.8	1,173	-16.9	126,400	1.5	4,382	-5.5	103,211	-0.3	7.7
	1996**	167,000	0.6	2,000	-3.8	2.0	1,100	-6.2	127,000	0.5	4,200	-4.2	104,500	1.2	7.9
St. John's	1994	80,500		1,215		0.4	587		122,000		1,783		92,011		7.1
	1995	81,900	1.7	745	-38.7	0.2	312	-46.8	122,250	0.2	1,572	-11.8	89,655	-2.6	10.8
	1996**	80,900	-1.2	850	14.1	0.5	350	12.2	122,900	0.5	1,725	9.7	90,500	0.9	12.0
Charlottetown	1994	25,750		276			223		116,300		258		97,600		6.2
	1995	25,450	-1.2	171	-38.0		149	-33.2	114,000	-2.0	241	-6.6	95,800	-1.8	7.1
	1996**	26,000	2.2	188	9.9		160	7.4	115,000	0.9	260	7.9	96,500	0.7	7.4
ALL	1994	8,643,470		99,627			50,864				194,719				4.6
METRO	1995	8,804,660	1.9	69,971	-29.8		34,837	-31.5			169,040	-13.2			4.2
AREAS	1996**	8,908,600	1.2	69,447	-0.7		38,745	11.2			180,653	6.9			4.2

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1996 values are CMHC forecasts .*

† *Average MLS price.*

¶ *Benchmark house price.*

‡ *Average price for single-detached, semi-detached, row and apartment condo.*

§ *Sales data is from TEELA.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 5 all centres will increase, resales will decrease in four centres in 1996: Halifax (-4.2 per cent), Toronto (-3.2), Oshawa (-2.7), and Saskatoon (-2.3).

Resales markets are shown in the accompanying chart "Hottest and Coolest Markets for Resales in 1996." It shows the relative position of Canada's 27 major markets by comparing the number of sales and average prices forecast for 1996.

The coolest markets, those forecast to have both declining resales and average prices relative to 1995, are named in the bottom left quadrant. The hottest markets, forecast to have a positive increase in sales and an increase of at least 1.0 per cent in average prices, are in the top right quadrant.

As shown in the chart below, resale home prices are forecast to rise in many centres in 1996. The average price of single resales will increase by more than 1.0 per cent in 15 of the 27 major centres in 1996. Of the 15 this year, 11 major centres will be experiencing a rebound. This is even more of a positive development because prices increased by more than 1.0 per cent in only four centres in 1995. Prices will increase the most in Trois-Rivières (3.1 per cent) and Sherbrooke (2.6), followed closely by Vancouver (2.4).

Starts to rise the most in manufacturing-based centres of southern Ontario

Overall, starts will be at the same level in 1996 as in 1995. A decline in multiple starts will be balanced by single starts, which will rebound 11 per cent in 1996 after declining by close to 32 per cent in 1995. In contrast to 1995, when only one market had an increase, total starts will be up in 16 major centres in 1996.

Five centres in Ontario will see 1996 starts rise the most from 1995. Thunder Bay will rebound after a sharp downturn in 1995 to post an increase of 40.8 per cent. Four industrial centres of southwestern Ontario are forecast to have big percentage increases in starts in 1996: St. Catharines-Niagara (25.3), London (24.5), Windsor (23.7) and Kitchener (22.2).

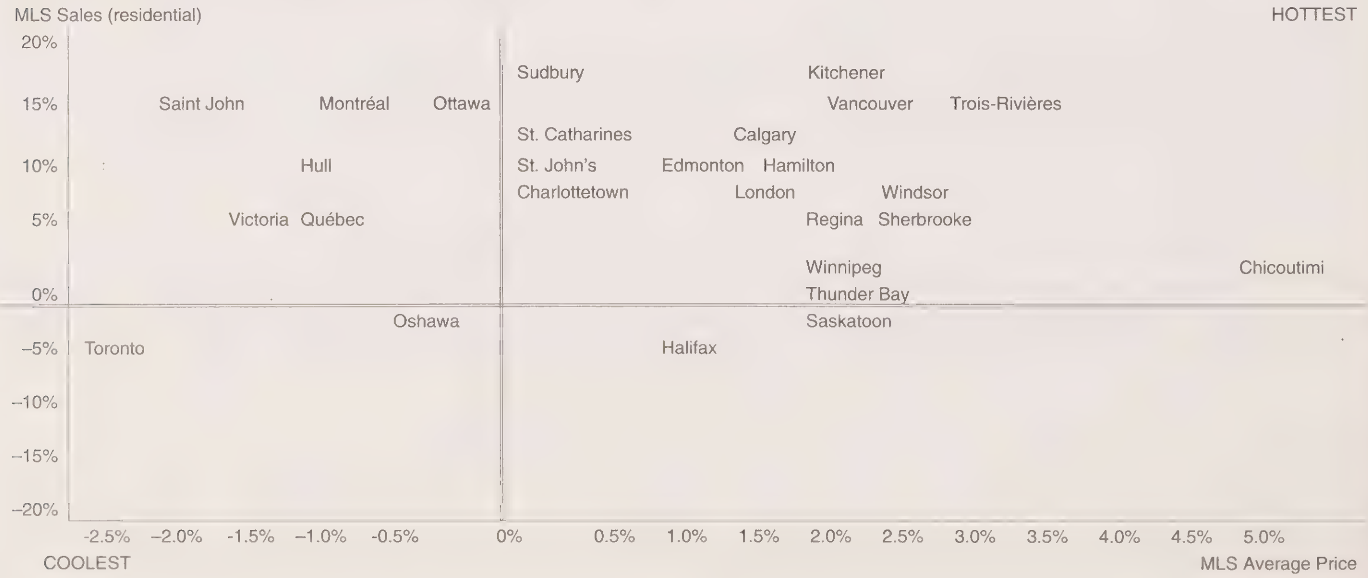
A strong first-time buyer market in St. Catharines and Kitchener is forecast to increase demand of ownership dwellings and help increase resales. Fewer resale homes for sale will shift buyers to more new single-detached homes.

Housing starts in London will regain momentum after plunging 48 per cent in 1995. Rising homeownership demand from renters and move-down buyers will bolster starts. Windsor will continue the upswing that began in the fourth quarter of 1995 and led to the third-best year on record. The record was set in 1994. A large supply of land enables builders to offer new houses at attractive prices to first-time buyers.

The rebound in southern Ontario is not forecast in Toronto-Oshawa, where activity will lag behind.

Many centres will have fewer rental and *continued on next page*

Hottest and Coolest Markets for Resales in 1996



condominium starts in 1996 because job growth will be slower than in 1995 and because vacancy rates, while decreasing, will remain too high to encourage new construction.

Builders across country to benefit from singles growth

The performance of new single-detached housing will pick up 11 per cent in 1996. Interest rates will remain at affordable levels and consumer confidence will strengthen, particularly for move-up buyers as resales are expected to improve and push single starts up. Eighteen centres will have higher singles, in contrast to 1995, when only one centre had an increase.

Except for Edmonton, which will increase almost 30 per cent, all the centres with the biggest single starts increases are in Ontario: St.Catharines (39.8), Ottawa (34.4), Toronto (30.8) and London (20.9). In Edmonton, the higher level of single starts forecast reflects a reversal of the large losses experienced in 1995. Last year, St. Catharines experienced a much lower level of new single-detached sales than the level of MLS sales might have indicated. However, the historical relationship between the two factors should reassert itself this year. The strong showing of MLS sales so far points to a significant increase in single-detached starts.

The new single-detached markets in both Ottawa and London are forecast to respond to improvements in the resale market in 1996. In both cases, more affordable single-detached homes will be built to meet the increasing demand for less expensive single-detached homes.

As in Edmonton, the increase in Toronto will reflect regained strength in the market after a weak 1995. Single starts will improve 31 per cent because of low mortgage carrying costs that started to increase resales in the last quarter of 1995 and will spill over to new construction sales in 1996.

Even as most major markets across Canada do better in 1996, there will be a decreasing number of single-detached starts in some centres. The five markets with the biggest decrease will be Hull (-17.9), Saskatoon (-11.3), Sherbrooke (-11.1), Trois-Rivières (-7.8) and Vancouver (-7.2).

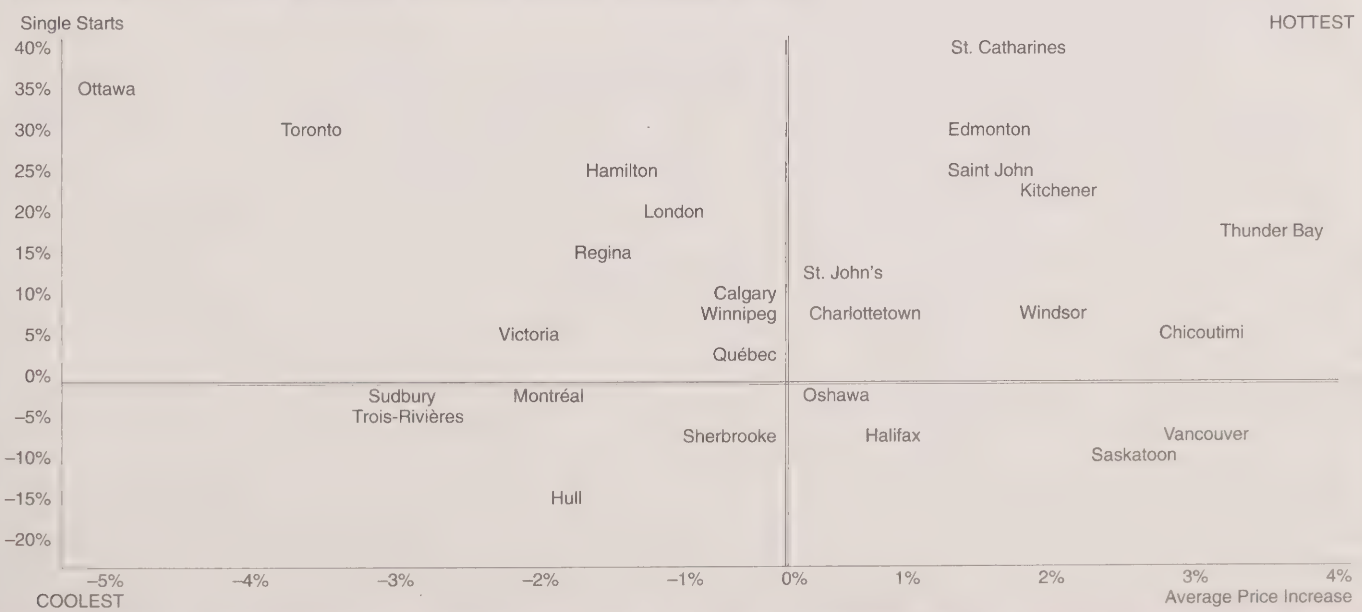
The chart "Hottest and Coolest Markets for New Single Houses in 1996" shows the expected relative position of Canada's 27 major markets. It shows the combined strength of single-detached starts and average prices for units sold in 1996.

The best markets, those with starts increases combined with price increases of 1.0 per cent or more, are in the top right quadrant. The increases in these markets will be bolstered largely by more active move-up buyers who sell homes by taking advantage of the rebound in resale markets.

Hull will be the least vigorous market. There, a combination of lower prices and starts is forecast for 1996. This will be Hull's fifth consecutive year of lower single starts. There will be 18 per cent fewer starts this year, after a

continued on next page

Hottest and Coolest Markets for New Single Houses in 1996



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drop of 44 per cent in 1995. The decline in 1996 is the result of an abundant supply of resale homes and lack of demand due primarily to job insecurity.

Many markets (shown in the top left of the chart) are forecast to be "lukewarm." These will have more starts but decreasing average prices. Two main factors account for 1996 price decreases in spite of increased demand. First, all of these markets will only partially recover from downturns in 1995. Second, builders are continuing to respond to the needs of first-time buyers by offering a high proportion of products targeted to more affordable price ranges, keeping average prices lower.■

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DEFINITIONS:

LOCAL HOUSING MARKET INDICATORS
(pages 6 & 7)

Total Employment

The number of people employed in the CMA in all industries in a given year.

Total Housing Starts

Total number of starts for all housing types for the year.

Single Housing Starts

Total number of single housing units initiated during the year.

New House Price Index

A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price

The weighted average price of all units sold during the year.

Number of MLS Sales (residential)

Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price

Weighted average price of single family homes sold through MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate

Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

continued from page 4

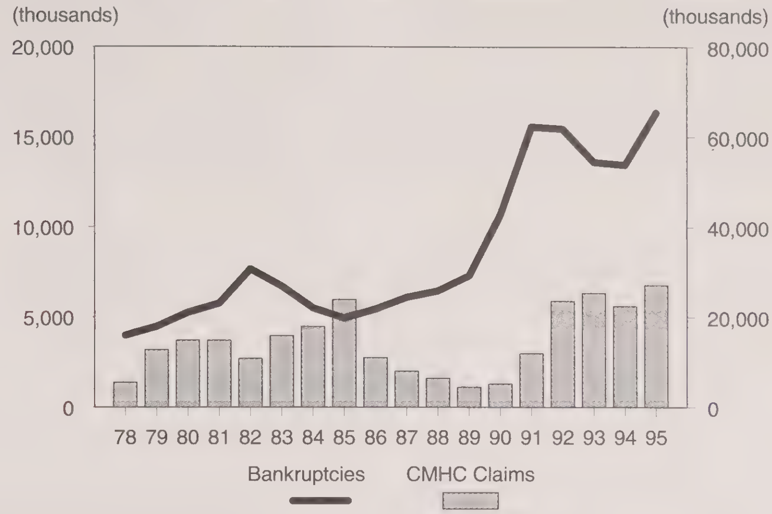
Based on this information, we can conclude that homeowners in Canada are not buried under a mountain of debt. It is also evident that with one in every two homeowners mortgage-free and with record numbers of new homeowners opting for debt levels well below industry limits, aggregate mortgage debt is not as high as some indicators suggest.

Why are personal bankruptcies and mortgage defaults so high?

Despite the findings reported in the preceding section, personal bankruptcies and CMHC mortgage insurance claims on homeowner loans hit record levels in 1995. As shown in the graph, personal bankruptcies started to increase as far back as 1986. Dramatic increases occurred in both 1990 and 1991, when new records were set. Bankruptcies eased slightly in 1993 and 1994 before setting another record high in 1995.

The pattern of mortgage claims in the 1990s seems to follow that of bankruptcies by one or two years. Since 1990, the annual number of bankruptcies has fluctuated in a range between 53,000 and 65,000, and claims have settled into a range between 5,800 and 6,800, approximately one tenth the magnitude of personal bankruptcies.

Personal Bankruptcies and Mortgage Claims
Canada 1978-1995



Source: Industry Canada, CMHC.

While consumer debt is sometimes a factor causing insolvency, the graph comparing consumer debt and disposable income on page one does not indicate a trend to excessive consumer debt relative to income as the major factor. In fact, research has found a number of other factors that are important as causes of bankruptcy in the 1990s: unemployment, financial mismanagement, medical reasons and marital problems.

Since 1991, many Canadians have lost their jobs as a result of economic restructuring and downsizing. The decline in their income has become so serious that record numbers can no longer continue making payments on debts that they had previously been able to carry. Research confirms that these circumstances are a major cause underlying insolvency: approximately 75 per cent of Canadians who declared bankruptcy had changed jobs or had their employment interrupted within the previous three years.

There were significantly fewer claims on CMHC-insured mortgages during 1995 than bankruptcies. However, the primary causes for claims were the same as for bankruptcies: income loss and employment interruption.

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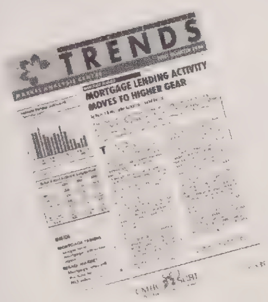

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continued from previous page

Related to this, approximately 12 per cent of buyers of resale homes who took out CMHC-insured mortgages required close to their maximum mortgages and had little room to cope with unforeseen expenses or interruption in employment or income.

Also contributing to higher claims were chronic buyer's markets, with falling prices in many of them.

A final factor is that for most of the period between 1992 and 1994, CMHC was the only active mortgage insurer in Canada and approved almost a million mortgage insurance applications. The higher level of claims in 1995 is in part due to this significantly higher level of approvals.■

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. The affordability indicators and the housing forecasts are based on the expertise of local market analysts across the country.

**The national contributors are Greg Goy, Dan Guerrette, David Dallaire and Bruno Duhamel. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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ISSN 1188-4487 — Printed in Canada

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CANADIAN HOUSING

MARKETS

CMHC Market Analysis Centre Third Quarter 1996

Rent or buy a house in the nineties . . . who do you believe?

Although there are many benefits to owning a home, recent housing market trends have caused some financial advisers to question the investment value of buying a house. They see that many local real estate markets have stalled because employment and income growth have slowed and because the baby boomers have bought their homes and settled in.

They have concluded that real estate is no longer a riskless investment and that the growth enjoyed in recent decades is gone. They advise potential home buyers to rent — to convert what might have been a down payment into mutual funds and RRSPs, and to invest the difference between home shelter costs and rent.

Other analysts contend that potential buyers should look at more than short-term financial returns. They point out that today's house purchase will eventually allow a home owner to live mortgage-free. As well, they wonder why anyone would help a landlord pay off a mortgage when it is possible to pay down one's own mortgage and build up equity. They argue that buying a house creates forced savings, and they are skeptical about the number of renters who actually invest the savings that result from reduced living costs.

Many articles on the financial advantages of renting and buying a house take one of these extreme positions. None has yet brought together a full complement of useful information to help potential buyers assess the costs and benefits of buying a home in their own markets. That is what this article aims to do.

This discussion is based on the Buy or Rent Decision Model© (in a Lotus spreadsheet) consolidating the major factors and financial assumptions that must be considered by anybody who is considering the purchase of a home. It is based on the situation of an Ottawa couple who are trying to decide whether to rent or buy.

The model (see boxes, pages 2 and 3) is flexible enough for a variety of situations. It yields a personal financial position that could make a final decision much easier for first-time buyers. It could also help empty nesters decide whether to buy down or rent. For those who decide to buy, the model can let them know whether to maximize their down payment or invest most of the proceeds from the sale of their original home. It can also provide some basis for deciding whether to purchase a new house or renovate an existing house.

In short, it could be an antidote for homebuyer insomnia.

Applying the model

Jane and John are potential first-time home buyers in Ottawa. They have read all the articles on renting and buying, and listened to friends, family, financial advisers, and a variety of industry participants: home builders, realtors, lenders and landlords. Now they are confused.

They can put the following information into the model.

1) Jane and John have some cash to use as a down payment (assumed to be at least 10 per cent of the house price). However, they must first deduct certain costs, such as for house improvements and legal fees. A mortgage insurance premium could also be required if they pay it as a lump sum rather than adding it to the mortgage (most purchasers do the latter). If they continue to rent, their accumulated cash goes to RRSPs (up to the legal limit) and investments.[1]

continued on page three

[1] *First-time home buyers can apply up to $20,000 ($40,000 per couple) in RRSP funds toward a down payment. They must return the money within 15 years, and pay at least one-fifteenth per year. If they do not meet this schedule, the money withdrawn is considered income and is taxed.*

The model does not account for this feature because, regardless of the rent-or-buy decision, an RRSP contribution generates a tax refund. The equivalent of down-payment funds returned to an RRSP is treated on the rent side as invested cash, so the two sides balance out. There is some advantage for the home buyer who uses an RRSP as a source of funds because this move creates forced savings.

Buy or Rent Decision Model

Useful facts for the home buyer presented without bias.

To order, see page 4.

BUY OR RENT DECISION MODEL

1) The **house price** paid by Jane and John is $150,600. (This is the average price of a single-family dwelling, the type chosen by two thirds of first-time buyers in Ottawa.) A **CMHC-insured mortgage** is selected and the premium is added to the mortgage. **Legal and other fees** are $1,200 (an estimate — without a recent moratorium on land transfer taxes for first-time buyers, this amount would have been significantly higher).

2) The **down payment** is $15,060 (10 per cent of the house price). The **amortization period** for the mortgage is 25 years (a length of time chosen by 87 per cent of first-time buyers). The **mortgage rate** is 8.0 per cent. (This is the rate applied to 3-year mortgages. The model does not apply different rates as terms are renewed, as this would introduce a factor too uncertain to use in a financial decision. As well, higher mortgage rates would be reflected in higher rents and inflation and would thus be offset.)

3) An **additional payment** equal to the monthly mortgage payment of $1,060 is paid in the twelfth month of each year. (Typically, home owners use the accelerated paydown benefits allowed by lending institutions. On the rent side, the equivalent of the extra payment becomes an investment. The mortgage is retired in twenty years under the accelerated payment schedule.)

4) **Annual property taxes** are $3,313, or 2.2 per cent of the house price. The figure is based on statistics from a large real estate firm. **Insurance** on the building is 0.2 per cent of house price, or $270 per year. (Because insurance on belongings is paid by both buyers and renters, this amount is ignored.)

   Property taxes, insurance, and maintenance expenses are assumed to increase annually at 1.5 per cent. As buyers, Jane and John plan to invest half the **difference between rent and shelter costs,** and as renters half the **difference between the higher shelter costs and lower rent.** They would also invest all the **available cash in RRSPs**, as it is assumed that Jane and John have not maximized their RRSP contributions in previous years.

5) **Rent** is $1,375. This is based on statistics from the same real estate firm as in (4).

6) **The rate earned on shelter vs rent cost** is 5 per cent. This approximates the return on short-term money instruments such as commercial paper, GICs and T-Bills. **The rate earned on investment and RRSP growth** is 8 per cent, reflecting a lower risk investment comparable to house equity. **The personal tax rate** is 40 per cent. **Real estate growth** is flat for five years, then increases with inflation at 1.5 per cent for the remainder of the study period. **Rent inflation** is 1.5 per cent. (In Ontario, the rental board is considering allowing more of a free market for rents. This may cause rents to fluctuate more than in the past.) There are three **investment periods**: of 25 years, equal to the mortgage amortization period; 15 years, within the lifespan of a typical mortgage with accelerated payments; and 5 years, as Jane and John are curious about their financial position in the short term. The table shows the results for the investment periods, as well as a sensitivity on some of the major components.

7) The **Real estate fee** upon sale of the house is 6 per cent. If a discount broker is used, this fee can be lower. ■

WHAT THE MODEL SHOWS

In the first year, the buy value is equal to the down payment (equity) less the real estate fee for selling the house. The rent value shows an RRSP contribution equal to available cash and adds the tax refund as an investment. As a result, in year one, the decision to rent yields a greater value than to buy.

However, in the years that follow, the value that accrues from purchasing increases at a greater rate than does investment growth for renters. This is because principal payments add to the house equity. This would occur even without accelerated principal payments, as the principal component of mortgage payments increases until the mortgage is paid.

The rate of growth of equity increases year after year until the mortgage is paid — 20 years with accelerated payments and 25 years without them. The annual increases in value exceed the growth in investment value on the rent side, and buy value begins to outpace the rent value after the eighth year. The spread between buy and rent values continues to widen until the buy value peaks in the year the mortgage is paid off.

After the mortgage is paid off, house values grow at a rate of 1.5 per cent per year. With the return on RRSPs and investments, however, rent value grows at a greater annual rate. Because the rate of increase is higher for renting, the net value (the difference between the buy value and rent value) again eventually favours renting — by year 39 in Jane and John's case.■

continued from page one

2) They can now put the remaining money toward their down payment. They enter the amortization period and mortgage rate, and calculate the monthly mortgage payment.
3) Jane and John choose a mortgage that allows them to make early principal payments. If they choose this option, the model assumes that, as renters, they would invest an equivalent amount.
4) Based on the house price, the model calculates annual expenses and maintenance expenses. The buyer can substitute more detailed information if it is available.[2] These expenses make up the remainder of the shelter costs for a house. The age of the house (one of the inputs into the model) affects maintenance costs.
5) To give an accurate comparison, the model requires a monthly rent figure. As this amount will have a significant bearing on the decision, this figure should be as accurate as possible. If no figure is provided, the model uses a percentage of house price as an i nput.
6) Jane and John enter a number of financial and economic indicators:
   - a rate of return for an amount earned on the difference between rent and shelter costs;
   - a rate for investment and RRSP growth;
   - a personal tax rate;
   - annual real estate growth;
   - annual property tax and expense inflation; and
   - annual rent inflation.

The model calculates the after-tax house value, the after-tax rent value, and the difference between the two (for a net rent or net buy value). It then discounts the net value at the after-tax growth rate for RRSPs and investments to arrive at a value in today's dollars.

Jane and John can then view the results for up to 30 years in graph form (although the financial results are projected for up to 50 years). As well, if they wish to know the value at the end of a given year, they simply enter the year into the model's Investment Period location.

In using the model, Jane and John must be aware of its major assumptions:

a) The house will be sold so that the couple can benefit from the equity they have built up, and there will be a real estate fee.
b) Any difference between rent payments and shelter costs will be deposited in short term investments, such as T-Bills and GICs, and will earn an annual after-tax return. To use the model effectively, the couple must enter the

continued on next page

[2] *Sources of data that may be used in the model include local real estate boards, realtors, local builders, local CMHC reports, and Statistics Canada.*

TABLE OF RENT OR BUY NET VALUES (IN TODAY'S DOLLARS) FOR BASE CASE AND SENSITIVITIES

B=buy value ***R***=rent value	*25-YEAR*	*15-YEAR*	*5-YEAR*
BASE CASE	B = $31,674	B = $22,749	R = $5,775
1. Mortgage rate increase of 1%	B = $26,612	B = $17,529	R = $8,987
2. Rent decrease of 20%	B = $9,773	B = $5,994	R = $12,909
3. House growth of -1% for each of first 5 years	B = $28,780	B = $18,763	R = $11,263
4. Growth rate of 10% for investments and RRSPs	B = $6,721	B = $12,021	R = $6,970
5. Townhouse price at $107,300 and rent at $860/month	B = $12,396	B = $8,431	R = $7,597

This sensitivity table calculates the base case — that is, the option of buying a single-family house for a $150,600 or renting it for $1,375 per month — and shows how the results would be affected by changing five assumptions.

In simulation 2, the decision is sensitive to the rent level. The decision to buy or rent remains the same, but the financial benefits of owning are decreased.

Simulation 3 assumes that real estate values will decrease by 1 per cent over the first five years. This modification has little effect on the decision to buy or rent in the base case.

When RRSPs and other investments are projected to increase by 10 per cent annually, buying is a better decision in the long run. However, high returns are associated with higher risk, and it may be argued that rates of return in excess of the 8 per cent cannot be sustained.

Finally, simulation 5 assumes the purchase of a townhouse, as is the case for one third of first-time buyers in Ottawa. The difference between the base case and this one is in the magnitude of the values but the decision remains the same.■

exact percentage (up to 100 per cent) of the difference that they will save or invest if they buy or rent. It is common for at least some of the difference to be consumed.

c) Interest and dividends from investments will be reinvested. As a result, to determine the after-tax value, the capital gains tax must be deducted.

d) RRSPs will eventually be collapsed. To determine their after-tax value, they must be taxed as income. To reflect the advantages of RRSPs, the model assumes that in the first year the tax refund (the RRSP contribution times the tax rate) is added as an investment. It is not added as additional RRSPs since the additional capacity to invest in RRSPs becomes more of an unknown.

Jane and John are facing a complex decision that involves many factors they may never have considered. They should consult with experts who are familiar with the various elements of this decision so that when they begin to use the model, they can use figures that accurately reflect their financial situation.

The decision whether to rent or buy encompasses financial and emotional considerations. It is personal, and the factors in the model comprise only a part of the decision. Nevertheless, it is extremely important to consider the financial side of the equation and ensure that it is accounted for. If it is, when emotional factors come into play, a potential buyer will know just how much it will cost for emotions to override the numbers.

The factors that make potential buyers decide whether to rent or buy are as individualized as the people themselves. So who should Jane and John believe? If they examine the numbers closely and consider the financial conclusion along with their own prospects and goals, they will be in a good position to believe themselves.■

This article was written by Jim Leach, a financial consultant with more than twelve years' experience in financial analysis with large corporations and a leading Canadian bond rating agency. He has also lectured in managerial finance at two Canadian universities.

The opinions expressed in this article are those of the author and do not represent the official views of Canada Mortgage and Housing Corporation.

Attention: Financial Advisors, Bankers, Builders, Realtors

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Near-record affordability catapults first-time buyer activity to new highs

Average national affordability reached near-record levels with the help of improved affordability in all but one metropolitan area during the first half of 1996. Nine centres set new records for affordability. Favourable buying conditions have convinced a record number of first-time buyers to take the plunge into home ownership.

The demand affordability indicator showed that 37 per cent of renters could afford to buy a starter home during the first half of 1996; this is just under the all time high of 38.6 per cent set in 1985.

All components of affordability except one were encouraging renters to buy houses. These included lower mortgage rates, flat house prices, and negligible changes in the costs of heating and property taxes. Slow income growth was the only check on affordability.

Excellent buying opportunities during the first half of 1996 led to a record number of first-time buyers. In fact, 70,659 existing and new homes across the country were insured under the First Home Loan Insurance (FHLI) program during the January to June 1996 period — up 46 per cent from last year.

Recent patterns in the affordability components

The 37 per cent of renters who can afford to buy a starter home continues an upward trend that started in the second half of 1994 (see graph). The following points review the main components of the affordability indicator and compare their current performance with that of the period between 1986 and 1989.

The **average starter home price** for all CMAs has been flat for the past eight quarters, with an average annual growth rate of 0.1 per cent. In contrast, the growth rate was 11.2 per cent between 1986 and 1989. The first half of 1990 saw the second lowest affordability figure on record, 20.0 per cent. This is just above the all-time low of 19.5 per cent reached in 1981. Flat house price growth helps maintain affordability.

Property taxes and heating costs have also been stable since the second half of 1994, changing at annual rates of 0.1 per cent and -0.2 per cent, respectively. Heating costs decreased at 1.3 per cent and property taxes grew at 5.5 per cent between 1986 and 1989. The negligible growth of these two costs also helps buyers afford homes.

Renter income growth was very modest, at a 1.7 per cent annual growth rate since the second half of 1994. Between 1986 and 1989, this growth rate was 5.0 per cent. The current subdued growth rate for income is having a small positive influence on the ability of renters to buy. When income increases quickly, renters have more money for mortgage principal and interest, property taxes, and heating.

Mortgage rates have the largest influence on affordability because, for a typical first-time buyer, mortgage payments represent the biggest cost of owning a home. From the second half of 1994 to the first half of 1996, the rate on a three-year mortgage term went from 9.8 per cent to 7.8 per cent — a definite down trend. The opposite trend was experienced between 1986 and 1989; the rate went from 10.9 per cent in 1986 to 12.2 per cent in 1989. This recent down trend in rates is by far the biggest contributor to better affordability.

Affordability in the three biggest cities: Montréal, Toronto and Vancouver

Montréal was still the most affordable of the large centres. Slightly lower prices and an abundant supply of homes helped maintain its status as the most affordable housing market among the largest centres in Canada. The percentage of Montréal renters who could buy was nearly ten percentage points higher than in Toronto. A starter home in Montréal averages about $100,000.

Thanks to lower mortgage rates, the percentage of renters who can move into their first home in Toronto also improved. It was 30.2 per cent during the first half of 1996, up from 28.7 in the previous half. This number was at an all time low of 6.3 per cent during the first half of 1990. At $171,766, starter home prices are up about $3,000 from a year ago.

In Vancouver, lower rates also compensated for higher starter home prices in driving affordability up. The percentage of renters who could

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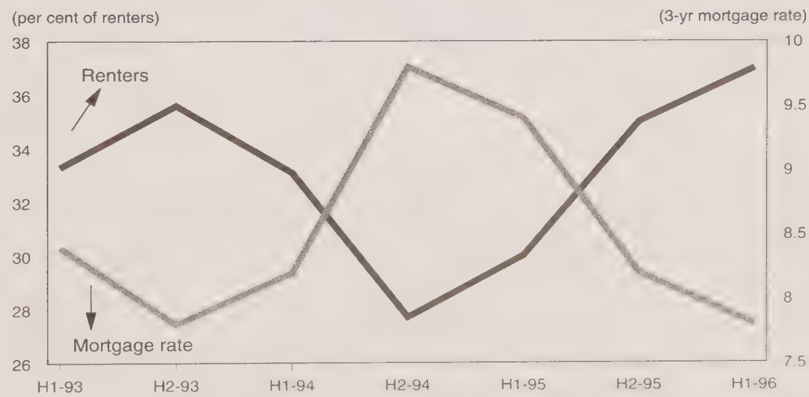
Affordability during first half of 1996 just under record high established in 1985



Source: CMHC.
Note: H1 and H2 are for 1st and 2nd halves of the year.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1996 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Family	60,880	210,589	48.7	Older Bungalow	51.7
	Non Family	47,647	161,489	24.0	Condo Apartment, Townhouse	32.3
	Total	55,500	190,484	39.7	Condo Apartment, Townhouse	44.0
Vancouver	Family	67,841	240,744	43.6	Newer† Townhouse	50.0
	Non Family	56,263	196,004	31.5	Newer† Condo Apartment	38.2
	Total	62,849	221,568	38.7	Older‡ Townhouse, New Condo Apt.	45.2
Edmonton	Family	50,778	164,546	84.2	Bungalow, 2-Storey	75.0
	Non Family	42,348	134,244	72.2	Walk-up Condo, Older Bungalow	43.9
	Total	47,174	151,808	80.8		64.4
Calgary	Family	54,963	189,372	74.9	New 2-Storey, New Split-Level	76.1
	Non Family	45,919	157,500	57.5	New Apt. Condo, Existing Split-Level	51.7
	Total	51,016	174,982	67.9	New 2-Storey, Apartment Condo	68.7
Saskatoon	Family	52,573	164,228	85.2	Bungalow	84.9
	Non Family	47,739	149,127	81.2	Bungalow	77.9
	Total	50,581	158,005	83.5	Bungalow	82.1
Regina	Family	54,973	169,077	89.1(a)	2-Storey Split	87.9
	Non Family	49,847	153,311	77.6	2-Storey Split	79.1
	Total	52,705	162,101	85.9	2-Storey Split	85.7
Winnipeg	Family	48,050	144,200	85.8	Bungalow, 2-Storey, Townhouse	63.1
	Non Family	39,066	117,238	76.2	Bungalow, 2-Storey, Townhouse	24.7
	Total	43,918	131,802	82.1	Bungalow, 2-Storey, Townhouse	43.9
Thunder Bay	Family	56,309	176,208	80.5	Bungalow, 2-Storey	62.5
	Non Family	42,906	134,267	61.8	Bungalow, 1½-Storey, Row/Apt.	25.0
	Total	50,886	159,239	74.8	Bungalow, 1½-Storey, Row/Apt.	47.1
Sudbury	Family	53,383	174,478	94.0	2-Storey	78.4
	Non Family	41,396	135,300	80.0	Split-Level	51.1
	Total	49,294	161,113	88.0	2-Storey	72.7
Windsor	Family	50,459	158,324	57.3	Bungalow, 1½-Storey	47.3
	Non Family	42,120	132,158	42.9	Bungalow, 1½-Storey	28.3
	Total	47,159	147,970	52.0	Bungalow, 1½-Storey	39.1
London	Family	50,303	159,150	68.8	Bungalow, Row Condo	65.3
	Non Family	41,077	129,963	51.8	Bungalow, Row Condo	38.4
	Total	46,520	147,185	62.8	Bungalow, Row Condo	54.4
Kitchener	Family	51,623	160,950	67.9	2-Storey	75.3
	Non Family	41,099	128,138	41.7	1-Storey, Condo	51.0
	Total	47,779	148,965	59.3	Bungalow, 2-Storey	65.4
St. Catharines-Niagara	Family	47,895	150,848	73.9	Split-Level; Modest 2-Storey	77.6
	Non Family	39,076	123,074	54.6	Bungalow, Row & Apt. Condo	37.3
	Total	44,745	140,930	68.3	Bungalow, Split-Level	73.8
Hamilton	Family	52,600	164,280	63.0	2-Storey	56.3
	Non Family	40,921	127,805	34.3	1-Storey, Condo	25.3
	Total	48,098	150,222	53.7	1-Storey, 1½-Storey	51.5

(a) Per cent supply affordable published in first quarter 1996 has been revised from 50.9 to 94.7.

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREA (CMA)	FAMILY TYPE	1996 INCOME $	MAXIMUM AFFORDABLE HOUSE PRICE* $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Family	63,878	202,467	67.0***	Single-Family Detached	73.5
	Non Family	53,056	166,471	46.0***	Semi	53.9
	Total	59,398	187,005	60.0***	Single-Family Detached, Semi	66.9
Oshawa	Family	57,945	182,846	N/A	N/A	86.8
	Non Family	48,585	153,091	N/A	N/A	70.1
	Total	55,310	174,283	N/A	N/A	84.0
Ottawa	Family	57,607	172,132	51.3	Bungalow	87.8
	Non Family	46,925	140,217	32.4	Row House	58.3
	Total	52,813	157,809	39.5	Semi-Detached	78.2
Hull	Family	47,984	141,289	84.0	All types	88.3
	Non Family	38,846	114,384	76.0	All types	56.3
	Total	44,861	132,094	82.0	All types	79.7
Montréal	Family	50,139	143,605	67.4	All types	80.1
	Non Family	39,566	113,182	47.0	All types	59.1
	Total	45,940	131,050	59.9	All types	75.5
Trois-Rivières	Family	42,217	125,850	N/A	All types	98.4
	Non Family	34,623	103,211	N/A	All types	95.2
	Total	39,379	117,390	N/A	All types	97.6
Sherbrooke	Family	42,315	123,250	72.6	Bungalow, 2-Storey	79.6
	Non Family	33,349	97,135	50.0	Bungalow	63.3
	Total	38,863	113,194	65.1	Bungalow	75.5
Québec	Family	46,279	130,329	75.4	All types	81.0
	Non Family	37,510	105,633	56.5	All types	59.1
	Total	42,666	120,153	69.3	All types	76.0
Chicoutimi-Jonquière	Family	44,367	131,279	90.7	Bungalow Standard	94.0
	Non Family	35,927	106,306	76.6	Bungalow Standard	86.0
	Total	42,090	124,543	88.0	Bungalow Standard	92.0
Saint John	Family	45,264	144,625	84.9	Bungalow, 2-Storey	85.2
	Non Family	40,194	128,425	79.0	Bungalow, 2-Storey	75.3
	Total	43,454	138,842	83.2	Bungalow, 2-Storey	85.2
Halifax	Family	50,248	163,361	86.6	Single	95.5
	Non Family	43,995	143,032	79.5	Single	85.8
	Total	47,770	155,306	84.4	Single	91.3
St. John's	Family	47,819	149,731	86.6	All types	83.8
	Non Family	47,564	148,932	85.6	All types	83.1
	Total	47,733	149,460	86.0	All types	83.8
Charlottetown	Family	45,786	128,883	61.4	All types except 2-Storey	68.3
	Non Family	36,575	102,955	43.0	Bungalow, Split-Level	34.9
	Total	41,865	117,845	52.2	All types except 2-Storey	54.0
Metropolitan Area Total	Family			73.8		71.2
	Non Family			58.4		50.5
	Total			68.3		64.7

* Calculated with a mortgage rate of 7.8 per cent.
**Percentage of new dwellings sold at or below the maximum affordable house price.
***Calculated using sales instead of active listings.

†Newer is five years old or less.
‡Older is ten years old or more.
N/A is data not available from the local Real Estate Board.

Sources: CMHC, Canadian Housing Markets, local Real Estate Boards.

continued from page five

afford was 26.7 per cent in the first half of this year. The all-time low was 5.3 per cent in 1981. The average price for an entry-level home in the first half of 1996 was $194,212.

Record first-time buyer activity in first half of 1996

Another sign that the first half of 1996 was an opportune time to buy was the number of loans processed under the FHLI program — the highest since its inception in February 1992. The record total of 70,659 loans was composed of a record 59,428 existing units and a near-record 11,231 new units. The previous highs, attained in the first half of 1994, were 51,459 existing units and 11,681 new units.

Nine centres reach new affordability highs

Nine centres broke affordability records. In addition to Halifax, Hull, Ottawa, Trois-Rivières and Charlottetown, which had registered new highs during the second half of 1995, Chicoutimi, Québec, Sherbrooke and St. John's reached new highs. Starter house prices went up in Hull, Charlottetown and St. John's, and down in Québec and Trois-Rivières. All other centres had stable prices.

Where are the most affordable centres?

Once again, the most affordable markets are found in Quebec and the Atlantic Region. Maintaining its position at the top of the affordability list is Chicoutimi, where just over half of all renters were in a position to take advantage of the lowest starter house prices in the country. The average price was $67,274 in the first half of 1996.

Saint John, Halifax, Charlottetown, St. John's and Trois-Rivières all had at least 47 per cent of renters who had the ability to buy. A lower interest rate was mainly responsible for affordability in some of these cities, as starter house prices went up in some areas.

The three markets that have been the least affordable — Victoria, Vancouver and Toronto — all showed some improvement in the first half of this year. Average starter home prices went up in Toronto and in Vancouver, but they went down in Victoria.

At $194,212, Vancouver had the most expensive starter home price in the country.■

The percentage of renters who can afford to buy a starter home — 1995-1996

(Ranked from highest to lowest based on total households January to June 1996)

CENSUS METROPOLITAN AREAS(CMA)	1st half 1995	2nd half 1995	1st half 1996		
	Total	Total	Total	Family	Non-Family
Chicoutimi	50.6	52.8	55.5	62.3	40.9
Saint John	43.8	49.2	51.2	53.6	46.4
Halifax	40.9	48.5	48.7	55.1	39.8
Charlottetown	43.1	47.6	48.2	52.6	42.8
St. John's	42.7	46.3	47.7	47.1	48.7
Trois-Rivières	40.9	45.8	47.1	55.2	35.7
Regina	41.5	43.4	46.5	49.5	43.1
Québec	39.2	40.7	45.8	56.4	33.7
Edmonton	38.7	44.4	45.4	51.8	37.3
Thunder Bay	37.5	42.8	44.2	49.8	35.6
Hull	39.0	43.4	44.1	51.7	30.9
Calgary	36.5	41.6	44.0	51.3	35.2
Saskatoon	39.0	44.3	44.0	48.7	38.7
Sherbrooke	36.1	38.4	41.6	50.9	29.3
Winnipeg	35.6	39.8	41.2	47.6	33.7
Sudbury	34.3	38.5	40.8	47.2	29.3
Oshawa	32.7	37.7	40.5	46.2	26.8
Montréal	32.8	37.4	40.4	50.1	28.0
St. Catharines	32.5	34.6	37.6	41.9	29.8
Kitchener	28.4	34.3	35.8	43.0	23.4
London	29.2	34.4	35.8	43.9	25.2
Windsor	30.3	34.3	34.6	39.5	27.2
Ottawa	26.6	33.9	34.1	42.9	24.1
Hamilton	24.2	30.8	31.6	38.4	20.6
Toronto	23.2	28.7	30.2	36.4	21.6
Vancouver	19.7	24.5	26.7	35.3	17.4
Victoria	16.8	22.3	25.5	35.1	14.3
Metropolitan Area Total	30.0	35.0	37.0	44.7	26.9

Source: CMHC.

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Percentage of affordable new homes sold at record high in most metropolitan areas

Prospective buyers had an easy time finding affordable new homes in the first half of 1996. The national average for the percentage of affordable homes sold was 64.7 per cent — the highest proportion since CMHC started calculating the new supply affordable in the first half of 1991.

The factors leading to this lofty level of choice were flat house prices, relatively low mortgage rates, and the fact that first-time buyers continue to be the market of choice for home builders.

These same factors helped create a record percentage of affordable new homes in 19 of 27 areas. The only cities that did not set new highs were Chicoutimi, St. John's, Sherbrooke, Thunder Bay, Victoria, Charlottetown, Vancouver and Montréal. (See the table on pages 6 and 7).

St. Catharines, London and Kitchener made the largest advances in new home affordability. In St. Catharines, the share of affordable new homes sold shot up from 47.4 per cent in the first half of 1995 to 73.8 per cent in 1996. In both London and Kitchener, the supply of new affordables went up by about 30 percentage points between the first half of 1995 and the first half of 1996; they were at 54.4 per cent and 65.4 per cent, respectively, during the first semester of 1996.

Top five most affordable markets for new homes

Percent of new construction affordable

Trois-Rivières	97.6
Chicoutimi	92.0
Halifax	91.3
St. Catharines	85.7
Saint John	85.2

Source: CMHC

The most affordable markets continue to be found in Quebec and the Atlantic region. Trois-Rivières leads the nation, with 97.6 per cent of new homes deemed affordable to first-time buyers. Even though Windsor was the least affordable market, it still improved to a record high. The share of affordable new supply went from 17.3 per cent in the first half of 1995 to 39.1 per cent a year later. ■

Supply of existing homes more affordable than ever

During the first half of 1996, home buyers had a large choice of existing homes well within their reach. Of every three homes listed as active, at least two were considered affordable to first-time buyers.

The percentage of affordable resale supply, 68.3 per cent in the first half of 1996, was the highest in the history of the resale supply indicator, since it was introduced in 1991.

This high affordability showing was a result of favourable resale market conditions. In the first half of 1996, the already high level of total active listings for all CMAs was down a slight 1.5 per cent from a year ago. Average starter house prices were stable to decreasing in most areas because of slow resale markets and more modestly priced homes on the market.

Resale buying ability also got a boost from lower mortgage rates.

This favourable resale market environment helped push eight cities to record affordability: Edmonton, Halifax, Hull, St. Catharines, Saint John, Sudbury, Vancouver and Victoria.

First-time home buyers in Sudbury and Chicoutimi had the greatest selection, with 88.0 per cent of existing homes affordably priced. Also with at least 80 per cent of active listings affordable were Edmonton, Hull, Winnipeg, Saint John, Saskatoon, Halifax, Regina and St. John's.

The least affordable resale markets in the first half of 1996 were Vancouver, Ottawa, and Victoria. In Ottawa, a more active market has resulted in a sell-off of moderately priced units and 39.5 per cent of listings were affordable. Even with shares of 38.7 per cent in Vancouver and 39.7 per cent in Victoria, putting them among the lowest affordable markets in the country, these cities have experienced a marked improvement in renter buying ability and both are at their highest affordability points since 1991.

Making the biggest strides toward more affordable existing homes were the resale markets in Edmonton, Hull, St. Catharines and Halifax. Between the first half of 1995 and the first half of this year, Edmonton went up by 34.3 percentage points, Hull by 29.0 percentage points, St.Catharines by 26.7 percentage points, and Halifax by 24.4 percentage points. ■

Top five most affordable resale markets

Per cent of listings affordable

Sudbury	88.0
Chicoutimi	88.0
St. John's	86.0
Regina	85.9
Halifax	84.4

Source: CMHC.

Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL PROPERTY TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JAN.-JUN. 1995	JAN.-JUN. 1996	JAN.-JUN. 1995	JAN.-JUN. 1996	JAN.-JUN. 1995	JAN.-JUN. 1996	JAN.-JUN. 1995	JAN.-JUN. 1996	JAN.-JUN. 1995	JAN.-JUN. 1996	JAN.-JUN. 1995	JAN.-JUN. 1996
Victoria	177,046	174,548	1,413	1,208	1,636	1,635	657	619	1,604	1,396	60,145	52,362
Vancouver	188,555	194,212	1,497	1,334	1,572	1,590	479	451	1,668	1,504	62,550	56,389
Edmonton	104,141	106,756	831	739	1,350	1,316	631	643	996	902	37,353	33,839
Calgary	120,186	122,470	959	848	1,315	1,315	550	561	1,114	1,004	41,793	37,658
Saskatoon	82,586	85,695	659	593	1,592	1,625	644	630	845	781	31,701	29,296
Regina	76,899	79,601	614	551	2,070	2,107	625	611	838	778	31,433	29,160
Winnipeg	81,245	82,920	648	574	2,339	2,418	819	795	911	842	34,181	31,568
Thunder Bay	107,945	110,637	861	766	1,329	1,372	971	971	1,053	961	39,492	36,046
Sudbury	111,582	112,733	890	780	1,558	1,572	878	858	1,093	983	41,003	36,865
Windsor	111,810	118,536	892	821	1,660	1,760	684	685	1,088	1,024	40,783	38,414
London	118,729	121,539	947	841	1,665	1,723	684	685	1,143	1,042	42,869	39,078
Kitchener	129,480	132,091	1,033	915	2,131	2,171	684	685	1,268	1,152	47,544	43,218
St. Catharines-Niagara	104,513	110,189	834	763	1,947	1,997	650	645	1,050	983	39,391	36,864
Hamilton	138,412	140,658	1,105	974	2,098	2,119	684	685	1,336	1,207	50,113	45,280
Toronto	169,242	171,766	1,351	1,189	2,749	2,805	650	645	1,634	1,477	61,267	55,375
Oshawa	140,151	143,185	1,118	991	2,374	2,374	650	645	1,370	1,243	51,389	46,608
Ottawa	135,356	134,668	1,080	932	2,963	2,968	707	701	1,386	1,238	51,972	46,431
Hull	93,293	97,750	744	677	1,946	1,934	1,265	1,275	1,012	944	37,954	35,406
Montréal	101,102	100,000	807	692	1,951	1,951	1,234	1,244	1,072	959	40,210	35,945
Trois-Rivières	70,388	69,000	562	478	1,409	1,415	1,315	1,325	789	706	29,576	26,474
Sherbrooke	77,728	78,323	620	542	1,592	1,596	1,345	1,355	865	788	32,438	29,554
Québec	82,183	81,690	656	566	1,970	2,051	1,345	1,355	932	849	34,951	31,852
Chicoutimi-Jonquière	67,274	67,274	537	466	1,532	1,594	1,395	1,406	781	716	29,280	26,839
Saint John	81,070	77,807	647	539	1,160	1,194	1,063	1,063	832	727	31,208	27,255
Halifax	101,901	102,687	813	711	1,366	1,330	912	972	1,003	903	37,611	33,853
St. John's	87,036	89,647	695	621	1,097	1,108	1,155	1,205	882	813	33,081	30,502
Charlottetown	74,726	78,499	596	543	1,405	1,430	1,043	1,038	800	749	30,008	28,090

Sources: CMHC and Natural Resources Canada.

Note that property taxes do not include rebates that are available in some provinces.

In today's business environment, we must not only look at what is happening today but also into the future.

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Thunder Bay	November 14	Robin Wiebe	(807) 343-2010
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Toronto	November 21	Willard Dunning	(416) 789-8709
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DEFINITIONS

Demand Affordability Indicators

Percentage of Renters Who Can Afford — Represents renter households in the prime home buying age group of 20 to 44 years, who have an income at least equal to the amount required to purchase an average starter home. All family and non-family households in the 20 to 44 age group are included, as are renter households who qualify for NHA social housing programs.

Average Starter House Price — The average price for an NHA-insured home. Includes the following house types: single, semi-detached, row house, mobile home, and apartment condominium. To insure that NHA starter home prices are representative of first-time buyers at all time periods, the data are analysed to control for distribution changes that would otherwise skew the average. NHA-insured homes are typically bought by young first-time buyers with less than 25 per cent down payment. The price is the average for each six-month period. This price excludes homes insured under the five per cent down payment program.

Monthly Mortgage Cost — The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent down payment. The required mortgage insurance premium has been added to the mortgage balance.

Property Taxes — Average property taxes for a dwelling occupied by its owner. Data are CMHC estimates.

Heating Costs — Average costs for a starter home. Data are from Natural Resources Canada and include the Goods and Services Tax.

Total Monthly Carrying Costs — Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs — The income required to cover the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage —A three-year-term closed mortgage with a 25-year amortization period. An average mortgage rate of 9.6 per cent was used for the first half of 1995 and a rate of 7.8 per cent was used for the first half of 1996.

Supply Indicators

Renter Household Types — Renter households aged 20-44 who have the potential to become home owners in the near future. They are classified as either non-sfamily households (households of one or more unattached persons) or family households (which include at least one economic family). An economic family is a group of related individuals sharing a common dwelling unit. Total households refers to all households, family and non-family. Low-income renters eligible for NHA social housing programs are not included.

Maximum Affordable House — Maximum price a household could afford given its income and assuming a 32 per cent gross debt service ratio to cover the mortgage payment, property taxes and heating costs. Based on a three-year mortgage rate of 7.8 per cent and a 10 per cent down payment.

Resale Supply Available — Percentage of MLS active listings at or below the maximum affordable house price.

Most Prevalent House Types — The house types most often listed in the supply of active MLS listings.

Affordable New Construction — Percentage of new single, semi, apartment or row dwellings sold at or below the maximum affordable house price.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. The affordability indicators and the housing forecasts are based on the expertise of local market analysts across the country.

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Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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ISSN 1188-4487 — Printed in Canada

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre Fourth Quarter 1996

Housing markets strengthen in 1996 — further growth expected in 1997

Following a year of strong resale activity and the first solid increase in new construction since 1992, housing starts and resales will continue to increase in 1997, but at a lower rate of growth. A number of factors are combining to strengthen consumer confidence towards buying a home. Key among them are the highest ever first-time buyer affordability in many centres, the lowest mortgage rates in over thirty years, positive employment growth, and lower prices.

FORECAST HIGHLIGHTS

- ***Resales will surge by 23 per cent in 1996. Gains will be maintained in 1997, with an increase of 3.0 per cent.***
- ***Total starts will rise in 21 major centres during 1996, for an increase of 9.0 per cent. In 1997, starts are forecast to increase by another 7.0 per cent, with activity higher in 21 of the 27 major markets.***
- ***For the first time ever, Calgary will be among the three most active markets for new construction in Canada, replacing Montréal behind Toronto and Vancouver.***
- ***Employment growth and mortgage rate levels will continue to encourage home ownership. Employment will grow in 25 major centres by an average of 1.4 per cent. This will be the fifth year in a row that employment has increased in major Canadian centres.***

Many centres did very well in 1996, with more activity from both first-time and repeat buyers. For all centres combined in 1996, CMHC expects 9.0 per cent more starts and 23 per cent more resales. The upturn in resales that started in the second half of 1995 has continued in 1996, and will continue to have a positive impact on starts in 1997.

The increase in new construction in 1997 will be stronger and more widespread than in the resale market. In all major markets combined, CMHC expects starts to increase by 7.0 per cent and resales by 3.0 per cent. Starts will increase in 21 major centres and resales will increase in 16. This expansion of the new housing market will come from growing numbers of repeat buyers purchasing new homes, combined with favorable resale conditions that make it more possible for them to sell their present home.

Average employment gains of 1.2 per cent in 1996 have boosted consumer confidence and led to greater demand from first-time buyers for resale homes. In 1997, the rate of employment growth will increase to 1.4 per cent and will help keep housing demand strong.

Repeat buyers will have positive impact on starts

Repeat buying is one of the main reasons why the new home market is recovering so well. Potential move-up and move-down buyers are more confident about the economy and can find buyers for their existing homes, so they are in a good position to purchase a new single-detached unit or a new condominium. The link between the two markets has been very clear in 1996: resales are expected to finish the year 23 per cent higher than in the previous year and to propel a rise of 23 per cent in single starts. Single starts will continue to increase in 1997, by 6.0 per cent.

Total housing starts in all major centres combined are forecast to finish this year

continued on page 4

Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Victoria	1995	144,000		1,299		-8.6	449		318,500		5,142		235,500		3.3
	1996**	143,200	-0.6	1,055	-18.8	-6.6	560	24.7	321,000	0.8	5,800	12.8	235,000	-0.2	4.1
	1997**	144,200	0.7	1,175	11.4	1.4	620	10.7	315,000	-1.9	6,100	5.2	236,000	0.4	3.5
Vancouver	1995	909,000		14,992		-5.0	4,526		527,060		31,283		405,432		1.2
	1996**	925,000	1.8	15,000	0.1	-6.0	5,600	23.7	515,000	-2.3	37,100	18.6	410,000	1.1	1.1
	1997**	945,000	2.2	15,800	5.3	3.0	6,175	10.3	535,000	3.9	40,900	10.2	415,000	1.2	1.7
Edmonton	1995	453,000		3,082		-1.3	2,159		159,692		8,884		120,832		10.2
	1996**	455,000	0.4	3,600	16.8	0.8	2,800	29.7	158,000	-1.1	10,700	20.4	119,000	-1.5	7.6
	1997**	465,000	2.2	4,200	16.7	1.5	3,200	14.3	161,000	1.9	11,500	7.5	118,000	-0.8	7.0
Calgary	1995	427,000		5,685		0.8	4,387		180,220		13,003		132,151		3.6
	1996**	449,000	5.2	6,600	16.1	-0.3	5,500	25.4	169,000	-6.2	16,800	29.2	136,000	2.9	1.5
	1997**	474,000	5.6	7,800	18.2	0.6	6,000	9.1	175,000	3.6	18,000	7.1	139,000	2.2	2.3
Saskatoon	1995	106,400		697		1.3	479		142,974		2,814		82,030†		1.0
	1996**	107,500	1.0	1,100	57.8	1.7	600	25.3	145,800	2.0	3,100	10.2	83,500†	1.8	0.7
	1997**	109,300	1.7	875	-20.5	2.0	600	0.0	148,700	2.0	3,100	0.0	85,000†	1.8	1.5
Regina	1995	98,900		371		3.1	311		144,739		2,588		76,629†		2.1
	1996**	101,000	2.1	425	14.6	2.5	350	12.5	142,000	-1.9	2,900	12.1	77,500†	1.1	1.9
	1997**	103,000	2.0	475	11.8	2.0	375	7.1	143,500	1.1	2,800	-3.4	80,000†	3.2	1.7
Winnipeg	1995	343,300		984		1.5	840		153,693		8,868		82,646		5.4
	1996**	346,500	0.9	1,100	11.8	1.2	850	1.2	147,500	-4.0	9,150	3.2	85,125	3.0	6.0
	1997**	352,000	1.6	1,275	15.9	1.5	950	11.8	148,000	0.3	9,240	1.0	85,200	0.1	5.8
Thunder Bay	1995	63,900		288		0.4	196		183,488		1,393		110,887		6.2
	1996**	62,300	-2.5	283	-1.7	0.5	175	-11.2	189,051	3.0	1,410	1.2	111,996	1.0	5.6
	1997**	62,930	1.0	323	14.1	0.8	200	14.3	192,832	2.0	1,430	1.4	113,675	1.5	5.9
Sudbury	1995	78,250		336		0.3	257		149,825		1,723		113,767		6.0
	1996**	78,000	-0.3	348	3.6	0.5	300	16.7	146,500	-2.2	2,100	21.9	110,000	-3.3	6.8
	1997**	79,000	1.3	380	9.2	0.8	330	10.0	147,000	0.3	2,150	2.4	113,000	2.7	6.0
Windsor	1995	126,800		1,495		1.2	1,225		187,265		4,589		117,390		1.8
	1996**	134,000	5.7	2,225	48.8	-0.1	1,550	26.5	182,500	-2.5	4,750	3.5	120,500	2.6	2.8
	1997**	135,500	1.1	2,000	-10.1	0.5	1,300	-16.1	188,000	3.0	4,700	-1.1	123,000	2.1	3.0
London	1995	207,900		1,016		-2.7	579		205,976		5,397		127,167		4.3
	1996**	203,400	-2.2	1,380	35.8	-1.1	770	33.0	189,000	-8.2	6,400	18.6	127,900	0.6	6.0
	1997**	205,800	1.2	1,450	5.1	0.5	825	7.1	194,000	2.6	5,950	-7.0	130,500	2.0	5.4
Kitchener	1995	204,600		1,105		-0.7	759		178,079		3,467		135,574		2.2
	1996**	206,000	0.7	1,800	62.9	1.2	1,250	64.7	180,000	1.1	4,400	26.9	135,500	-0.1	1.8
	1997**	209,000	1.5	1,950	8.3	1.2	1,400	12.0	182,000	1.1	4,600	4.5	138,000	1.8	2.0
St. Catharines-	1995	159,600		898		-1.0	565		172,238		2,394		122,328		5.2
Niagara	1996**	163,400	2.4	980	9.1	0.8	650	15.0	187,500	8.9	2,675	11.7	122,240	-0.1	5.6
	1997**	165,200	1.1	1,034	5.5	0.4	688	5.8	185,500	-1.1	2,695	0.7	122,835	0.5	5.0
Hamilton	1995	312,000		2,001		-1.2	1,057		208,796		7,736		141,128		2.0
	1996**	309,000	-1.0	2,450	22.4	-1.0	1,400	32.5	210,000	0.6	9,700	25.4	142,500	1.0	2.2
	1997**	313,600	1.5	2,550	4.1	1.2	1,500	7.1	213,000	1.4	10,100	4.1	145,000	1.8	2.0

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Toronto	1995	2,123,000		16,325		0.9	6,879		306,738		39,273		203,028†		0.8
	1996**	2,150,000	1.3	18,000	10.3	-1.3	9,900	43.9	302,500	-1.4	53,800	37.0	198,700†	-2.8	1.2
	1997**	2,160,000	0.5	19,200	6.7	0.0	10,500	6.1	298,000	-1.5	54,500	1.3	202,000†	-2.5	1.4
Oshawa	1995	127,750		1,330			1,035		184,868		N/A		N/A		2.7
	1996**	129,000	1.0	1,550	16.5		1,150	11.1	184,000	-0.5	N/A		N/A		3.7
	1997**	130,500	1.2	1,600	3.2		1,250	8.7	188,000	2.2	N/A		N/A		3.8
Ottawa	1995	380,900		2,190		-1.8	807		217,277		6,481		143,183		3.8
	1996**	393,200	3.2	2,903	32.6	-1.4	1,331	64.9	191,100	-12.0	8,100	25.0	141,680	-1.0	4.9
	1997**	401,300	2.1	3,137	8.1	0.9	1,420	6.7	193,450	1.2	8,500	4.9	144,520	2.0	3.8
Hull	1995	129,300		1,208			548		130,335		1,243		N/A		8.3
	1996**	130,300	0.8	1,080	-10.6		540	-1.5	128,000	-1.8	1,600	28.7	N/A		7.7
	1997**	131,200	0.7	1,000	-7.4		505	-6.5	125,000	-2.3	1,650	3.1	N/A		7.0
Montréal	1995	1,544,000		7,468		0.7	3,819		141,371		16,225		114,185		6.2
	1996**	1,559,000	1.0	6,900	-7.6	-1.0	3,700	-3.1	132,000	-6.6	19,600	20.8	112,000	-1.9	5.7
	1997**	1,574,000	1.0	7,600	10.1	-1.0	3,700	0.0	132,000	0.0	19,100	-2.6	111,000	-0.9	5.5
Trois-Rivières	1995	63,000		519			217		96,100		674		71,900		7.2
	1996**	63,000	0.0	530	2.1		260	19.8	92,700	-3.5	800	18.7	72,800	1.3	8.0
	1997**	63,500	0.8	620	17.0		350	34.6	95,500	3.0	850	6.3	75,000	3.0	5.9
Sherbrooke	1995	65,500		582			332		112,500		758		81,400		6.2
	1996**	68,050	3.9	780	34.0		340	2.4	113,900	1.2	870	14.8	83,500	2.6	6.6
	1997**	70,750	4.0	900	15.4		370	8.8	115,000	1.0	945	8.6	86,300	3.4	5.7
Québec	1995	316,300		2,405		0.7	1,842		97,600		3,650		85,032		6.0
	1996**	319,800	1.1	2,300	-2.3	-1.5	1,077	-41.5	96,100	-1.5	4,200	15.1	86,000	1.1	6.5
	1997**	322,300	0.8	2,550	8.5	0.0	1,120	4.0	96,100	0.0	4,100	-2.4	87,000	1.2	6.9
Chicoutimi-	1995	61,830		311			166		88,166		1,220‡		74,701		6.0
Jonquière	1996**	63,300	2.4	280	-10.0		200	20.5	89,900	2.0	2,000‡	63.9	76,200	2.0	5.4
	1997**	65,300	3.2	520	85.7		350	75.0	92,700	3.1	2,200‡	10.0	80,000	5.0	2.1
Saint John	1995	59,300		267		-0.1	195		108,968		908		88,581		8.6
	1996**	57,400	-3.2	300	12.4	-0.7	240	23.1	113,000	3.7	1,100	21.1	87,000	-1.8	9.1
	1997**	58,200	1.4	330	10.0	-0.5	275	14.6	115,000	1.8	1,100	0.0	88,500	1.7	9.0
Halifax	1995	166,000		2,080			1,173		126,400		4,382		117,624		7.7
	1996**	167,000	0.6	2,100	1.0		1,500	27.9	127,000	0.5	5,200	18.7	118,500	0.7	8.7
	1997**	169,000	1.2	1,900	-9.5		1,325	-11.7	131,000	3.1	4,800	-7.7	119,500	0.8	8.1
St. John's	1995	81,900		745		0.1	312		121,500		1,572		89,655		10.8
	1996**	79,250	-3.2	925	24.2	-1.1	450	44.2	120,000	-1.2	1,825	16.1	94,500	5.4	15.4
	1997**	78,250	-1.3	875	-5.4	2.0	400	-11.1	122,500	2.1	1,775	-2.7	94,000	-0.5	15.5
Charlottetown	1995	25,900		171			149		114,000		241		95,800		7.1
	1996**	26,300	1.5	256	49.7		220	47.7	118,000	3.5	270	12.0	97,000	1.3	4.0
	1997**	25,700	-2.3	250	-2.3		210	-4.5	120,000	1.7	255	-5.6	97,000	0.0	6.0
ALL	1995	8,779,330		69,850			35,264				175,908				
METRO	1996**	8,888,900	1.2	76,300	9.2		43,263	22.7			216,350	23.0			
AREAS	1997**	9,013,530	1.4	81,769	7.2		45,938	6.2			223,040	3.1			

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1996-97 values are CMHC forecasts.*

† *Average MLS price.*

‡ *Sales data is from TEELA.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1 9.0 per cent above last year's level and to rise a further 7.0 per cent in 1997.

Total starts in 1997 will increase the most in Calgary, Trois-Rivières, Edmonton, Winnipeg and Sherbrooke, all of which will see starts rise by more than 15 per cent. Starts will rise by 85 per cent in Chicoutimi, but this is because a massive reconstruction is required after last summer's devastating floods.

Highlights of 1997 Forecast
Percentage Change in Annual Total Starts: 1996-1997

Top Five %		Bottom Five %	
Calgary	18.2	Saskatoon	-20.5
Trois-Rivières	17.0	Windsor	-10.1
Edmonton	16.7	Halifax	-9.5
Winnipeg	15.9	Hull	-7.4
Sherbrooke	15.4	St. John's	-5.4

Calgary will be one of the markets with the largest increase next year, so much so that for the first time ever it will be the third most active housing construction market in the country, replacing Montréal behind Toronto and Vancouver. Total housing starts in Calgary will hit a 15-year high of 7,800 units in 1997. Strong demand for condominium units in all price categories and a tight supply of rental units will push multiple starts up. Lower priced new units are now competing with existing homes for first- and second-time buyers and those moving down.

Local economies grew in Trois-Rivières and Sherbrooke in 1996, and will continue to do so in 1997. This should end the employment instability that kept many first-time buyers from moving to home ownership in 1996.

Starts of all types of dwellings will increase by 16.7 per cent in Edmonton in 1997. A stronger economy and improved consumer confidence will strengthen demand for an additional year.

In Winnipeg, lower inventories, a strong resale market and very affordable interest rates point to an upturn in new construction next spring, increasing starts by 15.9 per cent in 1997.

Some centres will experience fewer starts in 1997. The centres with the biggest declines are expected to be Saskatoon (-20.5 per cent), Windsor (-10.1 per cent), Halifax (-9.5 per cent), Hull (-7.4 per cent), and St. John's (-5.4 per cent).

Lower starts in Windsor for 1997 are mainly the result of strong activity in recent years. In fact, 1996 will be remembered as one of the best years ever for the construction industry in Windsor. In Halifax the loss of the tax rebate program will reduce housing affordability somewhat in 1997, in particular for first-time home buyers, but 1997 will still be a good year in both centres.

Saskatoon has been one of the most active housing markets in the country for the past few years. In this market, even with a decrease of 20.5 per cent in 1997 caused by fewer starts of multiples because of lower demand, the level of starts will remain higher than the average of the last few years. Job creation in higher paying sectors, such as manufacturing, transportation, communication, mining, finance and insurance, is playing a positive role throughout the economy, a condition that is expected to continue in 1997.

In Hull, this will be the sixth consecutive year of reduced housing starts. The decline can be traced to a combination of factors, the most important of which are an abundant supply of resale homes and job insecurity.

For St. John's, the decline in 1997 will also be a readjustment after a strong recovery in 1996, when starts are forecast to increase 24 per cent.

Resale housing market to maintain gains

After a substantial increase of 23 per cent expected in 1996, resale activity will increase by 3.0 per cent in 1997. Resales, which increased in 26 major centres in 1996, will increase in only 16 next year. Vancouver, Chicoutimi, Sherbrooke, Edmonton and Calgary will be the hot spots in 1997.

Highlights of 1997 Forecast
Percentage Change in Annual Resales: 1996-1997

Top Five %		Bottom Five %	
Vancouver	10.2	Halifax	-7.7
Chicoutimi	10.0	London	-7.0
Sherbrooke	8.6	Charlottetown	-5.6
Edmonton	7.5	Regina	-3.4
Calgary	7.1	St. John's	-2.7

Resales in Metro Vancouver during 1996 are forecast to finish the year 19 per cent ahead of the level attained in 1995. Even better, the level of resales is expected to rise another 10.2 per cent next year. Employment growth, affordable mortgage rates and increasing migration levels will lead to continued solid gains in 1997.

The disastrous events in Chicoutimi last summer will have a major effect on the city's resale market. An increase of 10 per cent is expected. Some families that lost their homes will relocate and buy an existing home. As existing homes are generally more affordable than new ones, this option will be attractive for many.

In Edmonton, an improved economy will boost consumer confidence and increase migration; combined with lower mortgage rates and a large supply of affordable housing, this will contribute to an increase in sales. Resales are forecast to increase by 7.5 per cent next year after rising by an expected 20 per cent in 1996. Generally favorable economic conditions will strengthen consumer confidence in Sherbrooke to increase resales by 8.6 per cent next year.

Strong economic growth, continued migration and excellent affordability will increase resales in Calgary over 1997. Housing market strength will be reflected in an increase of 7.1 per cent in 1997. As the economy improves and corporate transfers bring more people to the city, there will be a continual flow of migration from other parts of the province and the rest of Canada.

MLS sales in 1997 are expected to decline in Halifax (-7.7 per cent), London (-7.0 per cent), Charlottetown (-5.6 per cent), Regina (-3.4 per cent) and St. John's (-2.7 per cent). In Halifax, the end of Nova Scotia's tax rebate program will lower demand and ease the volume of existing home sales in 1997 from the record level of 1996.

Regina's market has had the advantage of a release of pent-up demand over the last two years. However, as it has been met in 1996, the result will be a slowdown in home buying activity in 1997. Consequently, sales will retreat to a still healthy 2,800 sales.

Centres like Charlottetown and London again have experienced high levels of activity in 1996. As demand eases, sales will decline but levels of activity will remain high. The St. John's resale market, which was relatively active in 1996, will register a marginal decline next year. The end of Hibernia's construction and a possible round of public sector downsizing will contribute to lower sales activity.

House prices to increase in more centres in 1997

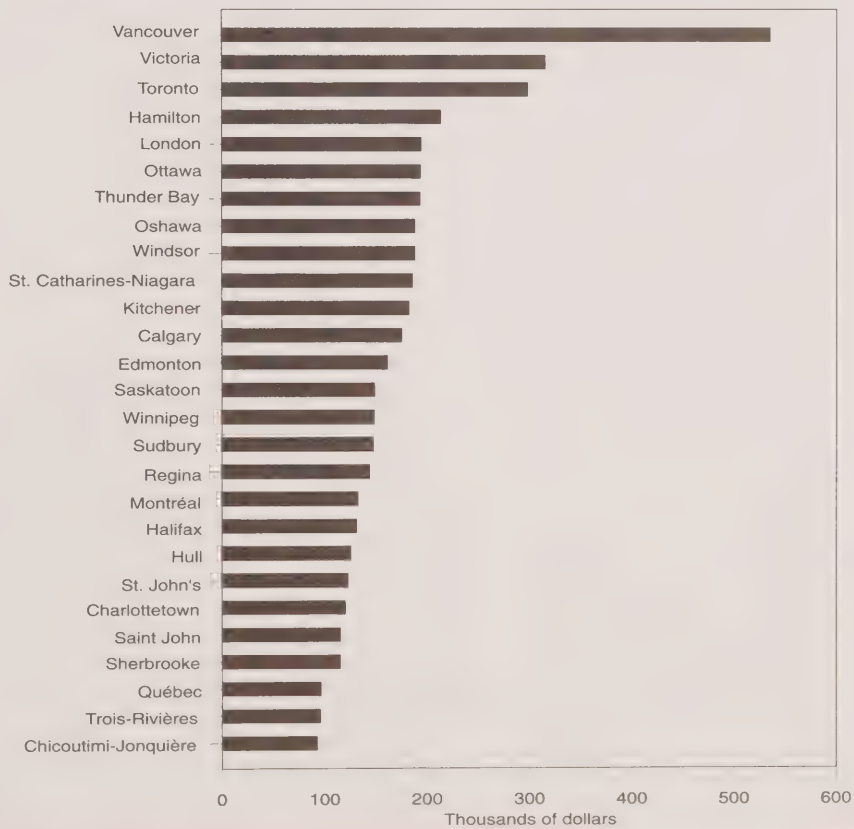
Based on CMHC's local forecasts of the New House Price Index (NHPI), house prices in 1997 are forecast to rise in twice as many centres as in 1996. The NHPI is forecast to increase in 16 of the 21 centres surveyed, compared with 8 centres this year.

The increases will be concentrated in the west and the central part of the country. This is because the economic recovery is more pronounced in these centres. Vancouver and Victoria will experience a turnaround in the NHPI after three consecutive years of decline.

Vancouver will remain the most expensive market for new single-detached homes in 1997, with an average price of $535,000. This price is almost six times the price of a new single detached home in Chicoutimi-Jonquière ($92,700).

Resale single home prices will rise in 16 centres, two more than the number expected for this year. In 1997, prices are expected to rise the most in Chicoutimi (by 5 per cent), Regina (3 per cent) and Sherbrooke (3 per cent). Strong demand will come from low mortgage rates, continued strength in the local economies, growing employment and improved job security. ■

1997 Average New Single House Price



Source: CMHC forecast.

The Next Home as a model of affordability

by Dr. Avi Friedman

The Next Home has received a good deal of attention from the media lately. It is accessible to more potential home owners because its novel design achieves better affordability at lower cost than its predecessor, the Grow Home designed at McGill University in 1990. Canadian Housing Markets thanks Dr. Avi Friedman, Associate Professor and Director of the Affordable Homes Masters of Architecture Program at McGill for this article.

Recent socio-demographic changes in Canada have shifted demand away from the traditional North American single-detached home. Families, and households generally, have become smaller; more are non-traditional; many require two incomes. Elderly citizens increasingly comprise a greater proportion of the population.

The families and households that have emerged in recent years are creating a demand for housing units that are smaller and more efficient than the large, detached houses that many middle-class Canadians took for granted in their youth. They are looking for reduced size and increased density in their dwellings.

Builders and designers cannot afford to ignore the diverse needs of these new households. One direct response to these needs is the Next Home. This research project of the McGill School of Architecture Affordable Homes Program is sponsored by Canada Mortgage and Housing Corporation, Société d'habitation du Québec, Natural Resources Canada and Matériaux Cascades Inc. It was presented as a demonstration unit on the McGill campus in the summer of 1996.

The Grow Home project of 1990 was an affordable, narrow-front rowhouse prototype. Five thousand units were built in the Montréal area. The Next Home extends the research undertaken on the Grow Home. Key features include the purchase of only the quantity of space needed by and affordable to the user, housing affordability, interior layout design selected from a catalogue of components, flexibility to change and grow, choice of façade design, environmental responsibility and comfort, export potential, and a new urban perspective.

For many years, improving affordability for modest income Canadians has been a major challenge. Land and infrastructure costs have doubled in the past twenty years and now constitute a much higher proportion of the total price of a new house. These pose a major problem for many people considering their first house purchase, especially in times of economic uncertainty, when lack of job security makes personal finances precarious. The Next Home goes beyond the Grow Home and takes these factors into account.

The Next Home research team has calculated the final selling cost for three units in a suburban Montréal triplex built as part of a row. The calculation includes construction cost, price of land, and builders' fees.

The total retail cost of the ground-floor unit, containing 69.7 m^2 (750 ft.^{2}) of living space, has been calculated at $45,580; the middle unit, with 76.2 m^2 (820 ft.^{2}) of living space, would cost $48,615. The cost of the upper unit, comprising the third floor and a mezzanine with 108.7 m^2 (1170 ft.^{2}) of living space, is calculated as $69,889. A housing unit with over 76 m^2 (800 ft.^{2}) of living space for under $50,000 (including land) represents a major advance in affordable housing in Canada.

With these estimated house prices, the Next Home team has also calculated the household income required to purchase each unit, along with the corresponding monthly payments. Figure 1 illustrates how much income is required to *continued on page 10*

Figure 1
Required income using First Home Loan Insurance

Mortgage rate ....7.8% — Down payment 5%
Gross debt service ratio ...... 35% — Amortization ....25 years

		Ground Floor	Second Floor	Third Floor & Mezzanine
Montréal	Required Income	$15,581	$16,619	$23,891
	Monthly Payments	$454	$485	$697

Figure 2
Required income using 10% down loan insurance

Mortgage rate ....7.8% — Down payment 10%
Gross debt service ratio ...... 32% — Amortization ....25 years

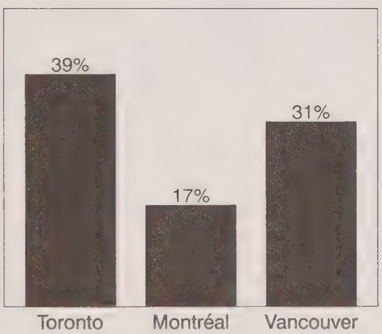
		Ground Floor	Second Floor	Third Floor & Mezzanine
Montréal	Required Income	$16,384	$17,475	$25,123
	Monthly Payments	$437	$488	$670

Immigrant housing preferences: new opportunities for the industry

The 200,000 immigrants who come to Canada every year have a tremendous influence on the country's housing market. This is especially true in Canada's three largest centres — Toronto, Montréal and Vancouver — which have absorbed two thirds of recent immigrants.

In Toronto, where four out of ten immigrants settle, immigrants make up 39 per cent of the population. Since many are of prime first-time home buying age, they could make a significant contribution to the first-time home buying market.

Proportion of 1991 population who were immigrants



Source: Immigrants and the Canadian Housing Market: Living Arrangements, Housing Characteristics and Preferences

Given the significant number of immigrants, the professions and trades that sell, finance and construct housing will have greater success if they understand the diverse needs and aspirations of new Canadians. And the characteristics of immigrants are evolving rapidly. Whereas most immigrants to Canada were Europeans 30 years ago, the majority now originate in Asia. By understanding how immigrant housing preferences have changed, the housing industry can plan more effectively for future housing demand.

What does a growing and changing immigrant population mean for housing? To determine the housing preferences, concerns and interests of new Canadians, Canada Mortgage and Housing Corporation (CMHC) reviewed census data and undertook focus group research in Toronto, Montréal and Vancouver. The research examined the household size, living arrangements, incomes, tenure and dwelling type choices of different immigrant groups.

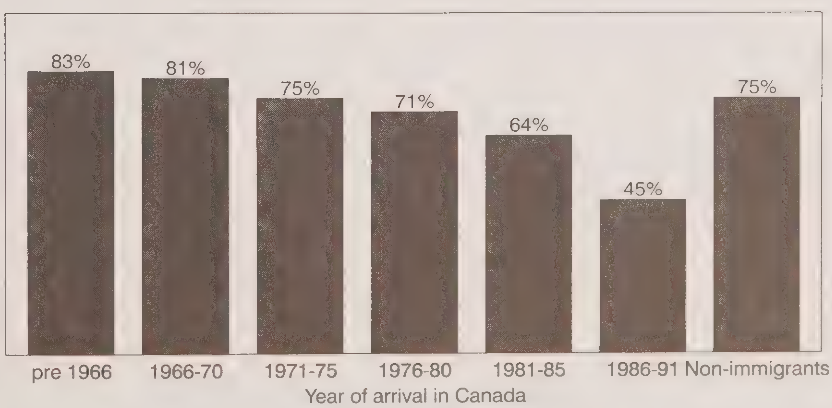
Participants in focus groups agreed that immigrants have a strong desire to own a home. In fact, they appear to be more committed to home ownership than non-immigrants. Though recent immigrants are less likely to own a home than non-immigrants of the same age, they tend to catch up within 10 to 15 years. Eventually, they are more likely to own a home than non-immigrants even though most start in Canada with lower incomes than non-immigrants of the same age.

While it is possible to generalize about the tenure preferences and other housing interests of new Canadians, it is also important to understand that immigrants are not a homogeneous group. The research establishes that country of origin has a lot to do with who will want to buy a home. Asian and European immigrants have the highest home ownership rates, and Central and South American immigrants are among the lowest. Dwelling-type preferences also vary by country of origin and by location within Canada.

Because a large number of immigrants may become home buyers at some point in their lives, the main challenge is to understand what they will be looking for when they do become serious home buyers. The housing preferences of first-generation Canadians, for example, are greatly influenced by their tendency to live in extended families. As a result, there was some concern in immigrant focus groups over the lack of suitable housing for larger families. Additional concerns were raised about inflexibility in the planning, design and regulation of housing.

continued on page12

Proportion of immigrants aged 45-54 that own their homes



Source: Immigrants and the Canadian Housing Market: Living Arrangements, Housing Characteristics and Preferences

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Seven sources of change in Vancouver housing prices

Vancouver's housing market underwent significant change between 1981 and 1991. Despite record levels of housing construction and resales, housing prices shot up 55 per cent during the decade.

A new research report, *Seven Sources of Change in Vancouver Housing Prices: 1991-1992*, poses two key questions about the Vancouver market during this period: What factors contributed to the change in residential property values? and How does the Vancouver experience compare with that of other west coast cities?

This report provides fundamental empirical insights into the sources of change in house prices in the metropolitan Vancouver area. It is based on an analysis of a unique set of data derived from the 1981 and 1991 Censuses, sales transactions from the local real estate boards, and tax assessment records.

Its methodology was modeled on a similar study conducted in Los Angeles, which analysed price changes between 1981 and 1991 in terms of seven factors. Researchers were able to determine the effect of each factor on prices and to compare changes in residential real estate values elsewhere for the same period. Four of these factors are discussed below.

Housing attributes

Changes in housing attributes contributed only modestly to housing price changes. These characteristics included sales price, lot size, floor area, age, and number of bedrooms and bathrooms.

The average sales price of Vancouver homes changed 55 per cent over the period under study — from a mean of $151,308 in 1981 to a mean of $235,316 in 1991 — less than five per cent per annum. This reflects the fact that housing prices peaked in 1981, fell precipitously afterward and recovered their peak values only in the late 1980s.

In addition, houses sold in 1991 were, on average, more than seven years older than their 1981 counterparts. This is partly because in some neighbourhoods older homes have been purchased and demolished, and newly built homes have been offered for sale in their place.

Other housing attributes showed little change. There was a modest increase in the number of bathrooms in houses sold in 1991 over 1981, but almost no perceptible change in floor area or number of bedrooms. The average lot size fell slightly over the period, as might be expected in a growing metropolitan area.

Neighbourhood characteristics

Neigbourhood characteristics contributed insignificantly to changes in property values. These characteristics included median income, the presence of professionals and the proportion of households in which English is not the primary language.

The findings suggested that neighbourhoods with higher median incomes and more professionals tended to have higher house prices in both 1981 and 1991. However, these factors were less important to the market in 1991 than they were in 1981, possibly because of demographic changes.

Analysis also revealed that median income became less significant as a factor. A rise in a neighbourhood's median income would have had a more favourable effect on housing prices in 1981 than in 1991.

Language and other visible signs of neighbourhood ethnic diversity had essentially no effect on sale prices of residential properties.

Distance from central business district

Distance from the Vancouver central business district was the source of a small but positive change in property values. This factor increased in importance between 1981 and 1991, while the accessibility of suburban centres diminished in importance.

In fact, of the seven subcentres identified for the metropolitan Vancouver area, only three — Burnaby, Richmond and North Vancouver — emerged as significant urban centres. This points to the partial success of regional plans advocating the growth of regional town centres.

Strong demand was key

Not surprisingly, the major determinant of the change in house prices during the period in Vancouver, as in Los Angeles, was strong demand for housing. Each city experienced a real estate boom during the 1980s, fueled by heavy immigration, particularly from Hong Kong.

However, the findings for Vancouver were different in many ways from those of Los Angeles

continued on next page

The Next Home . . .

continued from page 6

purchase these units and how small the monthly payments would be with a five per cent down payment. It shows that both of the units selling for less than $50,000 are available to households earning as little as $16,619 per year. Monthly payments would come to less than $500. Figure 2 shows the required income and monthly payments for these units when the household makes a 10 per cent down payment.

One of the fundamental distinguishing features of the Next Home is the opportunity it affords buyers to purchase no more than the type and amount of house they need. This is possible because its basic structure can be built as a single-family unit, a duplex, or a triplex. The four levels of the Next Home structure can be arranged to suit the present requirements of the residents and can be rearranged later to suit household and family changes.

The Next Home is adaptable enough to be built as a detached or semi-detached structure or in a row of similar houses. It could meet the urgent need of a wide range of users in a highly cost-effective manner by accommodating a variety of diverse households in a single structure at an affordable cost.■

For more information on the Next Home project, contact the author at 815 Sherbrooke Street West, Montréal, Quebec, Canada H3A 2K6, or call (514) 398-8251.

Seven sources of change . . .

continued from page 9

and lend support to a number of other hypotheses about the evolution of Canadian cities.

In Los Angeles, the net contribution of the other six factors was negative. In fact, house prices in Los Angeles would likely have fallen if not for the increased demand attributable to immigration. This was not the case in Vancouver: the changes affecting Vancouver over the period were on the whole more positive, with six of seven sources contributing to an increase in property values.

The results also support the hypothesis that Canadian urban experience is fundamentally different from that of the United States. For example, accessibility to the central business district continues to be valued more highly in Vancouver than in Los Angeles.

This finding lends credence to the idea that Canadian cities have a distinct, more compact urban form than do cities in the United States. In addition, the results suggest that employment is being lost from the traditional central business districts of Canadian urban areas and that new subcentres are not forming to replace them.

While the research is not definitive, the comparison with Los Angeles does suggest possible avenues for further investigation. One key question that remains to be resolved is whether the distinction between Canadian and U.S. cities is because of the smaller size of Canadian cities or because of cultural factors.■

Detailed findings of this study can be found in the report *Seven Sources of Change in Vancouver Housing Prices: 1981-1991*, by Stan W.Hamilton, University of British Columbia, and Eric J. Heikkila, University of Southern California. The project was carried out with the assistance of a grant from CMHC under the External Research Program (CMHC CR file 6585-H059-5).

The opinions reflected in this article are those of the researchers and do not represent the official views of CMHC.

For a copy of the report, contact the Canadian Housing Information Centre, 700 Montréal Road, Ottawa, Ontario K1A 0P7.

DEFINITIONS:

LOCAL HOUSING MARKET INDICATORS
(pages 2 & 3)

Total Employment

The number of people employed in the CMA in all industries in a given year.

Total Housing Starts

Total number of starts for all housing types for the year.

Single Housing Starts

Total number of single housing units initiated during the year.

New House Price Index

A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price

The weighted average price of all units sold during the year.

Number of MLS Sales (residential)

Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price

Weighted average price of single family homes sold through MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate

Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

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Immigrant Housing . . .
continued from page 7

The CMHC study provides a wealth of insight into business opportunities by providing details that can help companies target their marketing. These include information on the preferences of recent immigrants and those who have been in Canada for longer than five years, on immigrants from different parts of the world, and on immigrants of different ages.■

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Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. The affordability indicators and the housing forecasts are based on the expertise of local market analysts across the country.

The national contributors are Greg Goy, Dan Guerrette, David Dallaire and Bruno Duhamel. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa. Tel.: (613) 748-2582. Internet: ggoy@cmhc.e-mail.com

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Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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ISSN 1188-4487 — Printed in Canada

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First Quarter 1997

Housing affordability hits all time high: Prairie centres join record-breaking charge

The lowest mortgage rates in over 30 years shattered records in 14 centres and helped boost average national affordability to an all-time high in the second half of 1996. The sky-high affordability, along with an abundant supply of affordable homes on the market, created record levels of first-time buying.

When the average demand affordability indicator for all centres hit 39.6 per cent in the second half of 1996, it was at a 25-year high. Mainly responsible were mortgage rates, at their lowest levels since July 1965. Since rates are expected to inch up slightly in 1997, affordability is forecast to decrease marginally.

Records broken in 14 centres as affordability highs go west

In the second half of 1996, 14 centres saw record affordability levels: Edmonton, Calgary, Regina, Winnipeg, Ottawa, Hull, Montréal, Trois-Rivières, Québec, Chicoutimi, Saint John, Halifax, St. John's and Charlottetown. Record levels occurred in nine centres in our previous semi-annual report, and in five centres a year ago.

The most significant change was in Prairie centres, where affordability for renters was better than at any time since 1970. The only exception was Saskatoon, where a 10.5 per cent annual increase in starter home prices was the highest in Canada.

continued on page 3

The percentage of renters who can afford to buy a starter home — 1995-1996

(Ranked from highest to lowest based on total households July to December 1996)

CENSUS METROPOLITAN AREAS (CMA)	2nd half 1995	1st half 1996	2nd half 1996		
	Total	Total	Total	Family	Non-Family
Chicoutimi	52.8	55.5	56.5	63.3	41.9
Saint John	49.2	51.2	54.1	55.9	50.4
Halifax	48.5	48.7	52.1	58.3	43.5
Charlottetown	47.6	48.2	51.0	55.2	45.8
St. John's	46.3	47.7	50.5	50.1	51.1
Trois-Rivières	45.8	47.1	49.8	57.8	38.8
Regina	43.4	46.5	49.0	51.7	46.0
Edmonton	44.4	45.4	47.8	54.0	40.0
Hull	43.4	44.1	47.5	54.9	34.3
Thunder Bay	42.8	44.2	47.0	52.1	39.0
Québec	40.7	45.8	46.1	56.7	33.9
Calgary	41.6	44.0	45.7	52.9	36.9
Saskatoon	44.3	44.0	45.3	49.8	40.1
Winnipeg	39.8	41.2	44.0	50.1	36.8
Sudbury	38.5	40.8	43.4	49.8	32.1
Oshawa	37.7	40.5	43.0	48.8	29.2
Montréal	37.4	40.4	43.0	52.6	30.6
St. Catharines	34.6	37.6	42.4	46.6	34.7
Sherbrooke	38.4	41.6	41.3	50.5	29.0
Kitchener	34.3	35.8	39.5	47.0	26.6
Windsor	34.3	34.6	38.4	43.1	31.4
Ottawa	33.9	34.1	38.2	47.1	28.1
London	34.4	35.8	37.7	45.8	27.2
Hamilton	30.8	31.6	34.9	41.8	23.7
Toronto	28.7	30.2	33.4	39.9	24.3
Victoria	22.3	25.5	29.8	40.2	17.8
Vancouver	24.5	26.7	28.4	37.4	18.7
Metropolitan Area	35.0	37.0	39.6	47.4	29.4

Source: *Canadian Housing Markets.*

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Affordable supply records smashed in many centres — New supply analysis helps identify market opportunities

The supply of affordable new and resale housing soared to new highs in many centres during the second half of 1996. This article highlights the centres with records and introduces new information on the price ranges of affordable housing that have the highest potential for more resales and new construction.

Percentage of affordable new homes sold reaches new ceiling in 12 centres

Propelled by lower interest rates, record high levels of new construction were affordable to home buyers in twelve centres during the second half of 1996: Vancouver, Edmonton, Calgary, Saskatoon, Sudbury, Windsor, London, Ottawa, Hull, Montréal, Sherbrooke, and St. John's. The national average for the percentage of affordable homes sold was 67.4 per cent, the highest since 1991.

Nine centres see new summit in supply of existing homes

Higher maximum affordable house prices meant that more buyers than ever could buy in Vancouver, Victoria, Edmonton, Thunder Bay, London, Ottawa, Hamilton, Toronto and Montréal. At a national level, the CMA average percentage of affordable resale supply was 64.8, down from 68.3 in the first half of 1996.

Price ranges of affordable housing help identify market opportunities

A higher level of sales is healthy for the bottom line, for both builders and realtors. One path to more sales is finding a market segment with high potential demand and low supply.

One way to identify opportunities is to look at the supply of affordable housing by price range. To this end, the table Supply Affordable to Potential First-time Buyers now shows three categories of affordable prices. In addition, for each category it shows the percentage of resale and new construction sold in the second half of 1996 below the average price.

The three categories of affordable house prices are the Maximum Affordable, Regular (10%), and First Home Loan Insurance (FHLI) (5%).

First category: The Maximum Affordable Price uses current mortgage rates, CMA renter income for all household types, and other data (see Definitions section) to give the upper limit of affordability. It shows the highest price that can be paid by an average first time buyer.

Second category: The Regular (10%) price is well below the maximum affordable house price. It is the same starter house price that is used in CMHC's demand indicator;this average is based on prices of homes bought using CMHC's regular 10 per cent down payment program. Although this figure is always higher than the FHLI (5%) price, it gives a reference point near the lower end of affordable housing.

The FHLI (5%) price is calculated from homes bought under the FHLI program and represents the lower limit of affordable housing.

These prices were used in the table entitled Supply Affordable to Potential First-Time Buyers to tally the resale supply affordable and the affordable new construction.

The data for Victoria are typical of most centres — there is less supply available in the lower price ranges, and a higher proportion of resale supply is affordable than of new construction. The opposite is generally the case when it comes to demand: there is more demand in the lower price ranges than at the maximum affordable price. The majority of homes insured with CHMC's mortgage insurance are priced between the regular(10%) average price and the FHLI(5%) average price. In Victoria, these prices were $172,104 for the regular(10%) and $165,059 for the FHLI(5%).

Using this new method, realtors can identify the best selling price ranges for vendors and avoid long listing periods. They can also help first-time buyers find the price ranges with the greatest supply. Both options could increase existing home sales. Builders can use the information in the same way, to identify markets and affordable price segments with the lowest supply and the greatest demand.

Centres with the highest opportunities

The table Supply Affordable to Potential First-Time Buyers indicates that the greatest opportunity for more new construction is in centres that have no more than 20 per cent of supply affordable in either regular (ten percent down payment) or FHLI (five percent down payment) categories. These centres are Victoria, Edmonton, Calgary, Saskatoon,

Data for the Victoria affordable price categories and the percentage of supply affordable

Affordable Category	Price	Percentage of Supply Affordable	
		Resale	New
Maximum affordable	$202,433	46.3	35.5
Regular (10%)	$172,104	32.0	20.0
FHLI (5%)	$165,059	28.6	15.7

Housing affordability hits . . . *(continued from page 1)*

Another significant change was in the Atlantic provinces. All major urban centres set records for affordability, despite upward price pressure in Halifax and Charlottetown. In Quebec, Sherbrooke was the only centre that did not set a record. Increasing prices dropped it from the affordability high set in the first half of 1996.

Ottawa was the only centre in Ontario with a record-breaking performance. Other centres peaked in the mid eighties, when home prices and mortgage rates were lower and income growth was solid.

Although Victoria and Vancouver are not at 25-year-high levels, they have made great strides in affordability and are at a high for this decade.

Of the three biggest cities, only Montréal breaks record

Stable prices helped push affordability in Montréal into record-breaking territory. Both Toronto and Vancouver hit all-time marks in the mid 1980s, Toronto just before the price run up and Vancouver mainly on the strength of rising incomes at a time when prices were also going up.

Record number of first-time buyers

More people than ever applied for First Home Loan Insurance in 1996. This barometer of first-time buyer activity indicates that greater affordability led to a record number of first-time buyers. The number of existing and new homes insured under this program was 138,480, up 42 per cent from 1995 and 37 per cent from the previous record set in 1994.■

Affordable supply records. . . *(continued)*

Regina, Winnipeg, Thunder Bay, Sudbury, Windsor, London, Kitchener, St. Catharines, Hamilton, Oshawa, Ottawa, Hull, Montréal, Trois-Rivières, Québec, Chicoutimi, Saint John, Halifax, St. John's and Charlottetown.

Centres with the greatest opportunity for affordable resale housing (with no more than 20 per cent of supply affordable in the FHLI category) are Sherbrooke, Québec, Chicoutimi and Charlottetown. ■

DEFINITIONS:

Demand Affordability Indicators

Percentage of Renters Who Can Afford — Represents renter households in the prime home buying age group of 20 to 44 years who have an income at least equal to the amount required to purchase an average starter home. Includes all family and non-family households in the 20 to 44 age group, in addition to renter households who qualify for NHA social housing programs.

Average Starter House Price — The average price for an NHA-insured home. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. So that NHA starter home prices are representative of first-time buyers at all time periods, the data are analysed to control for distribution changes that would otherwise skew the average. NHA-insured homes are typically bought by young first-time buyers with a down payment of less than 25 per cent. The price is the average for each six-month period. This price excludes homes insured under the First Home Loan Insurance program.

Monthly Mortgage Cost — The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent down payment. The mortgage balance includes the required mortgage insurance premium.

Property Taxes — Average property taxes for a dwelling occupied by its owner. Data are CMHC estimates.

Heating Costs — Average costs for a starter home. Data are CMHC estimates.

Total Monthly Carrying Costs — Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs — The income required to cover the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage — A three-year-term closed mortgage with 25-year amortization period. An average mortgage rate of 8.2 per cent was used for the last half of 1995 and a rate of 7.0 per cent was used for the last half of 1996.

Supply Indicators

Categories of Affordable House Prices — *Max. Affordable* is based on average income of household type total which includes all households, family and non-family, but not low-income renters eligible for NHA social housing programs. *Regular (10%)* is identical to the Average Starter House Price in the definitions of the demand affordability indicator. *FHLI (5%)* is the average price for an NHA-insured home under the First Home Loan Insurance program. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. FHLI homes are available only to first-time buyers with a minimum 5 per cent down payment. The price is the average for each six-month period.

Range of Affordable House Prices — *Max. Affordable* is the maximum price a household could afford given its income and assuming a 32 per cent gross debt service ratio to cover the mortgage payment, property taxes and heating costs. It is based on a three year mortgage rate of **7.0** per cent and a 10 per cent down payment. Both Regular (10%) and FHLI (5%) are average prices of homes insured with these products.

Resale Supply Available — Percentage of MLS active listings at or below the range of affordable house prices. The sources are local Real Estate Boards.

Most Prevalent House Types — The house types most often listed in the supply of active MLS listings. The sources are local Real Estate Boards.

Affordable New Construction — Percentage of new single, semi, apartment or row dwellings sold at or below the range of affordable house prices.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREAS (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1996 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Max. affordable	55,500	202,433	46.3	Newer† Townhouse, Older‡ Bungalow	35.5
	Regular (10%)		172,104	32.0	Condo Apartment, Older Townhouse	20.0
	FHLI (5%)		165,059	28.6	Condo Apartment	15.7
Vancouver	Max. affordable	62,849	238,275	41.3	Newer Townhouse	47.6
	Regular (10%)		201,888	34.3	Older Townhouse, New Condo Apt.	34.4
	FHLI (5%)		170,617	27.1	Newer Apt. Condo	22.9
Edmonton	Max. affordable	47,174	160,709	85.7	Bungalow, New Smaller 2-Storey	73.9
	Regular (10%)		108,456	59.2	Older Bungalow	15.1
	FHLI (5%)		90,858	46.2	Resale Condominium	7.9
Calgary	Max. affordable	51,016	179,602	72.1	New 2-Storey, New Split-Level	69.2
	Regular (10%)		127,418	46.2	New Apt. Condo, Existing Split-Level	21.5
	FHLI (5%)		106,324	32.2	New 2-Storey, Apartment Condo	10.0
Saskatoon	Max. affordable	50,581	158,850	80.2	Bungalow, 2-Storey	87.1
	Regular (10%)		88,851	47.2	Bungalow	25.0
	FHLI (5%)		74,055	34.1	Bungalow	1.2
Regina	Max. affordable	52,705	153,711	87.1	2-Storey	78.5
	Regular (10%)		80,056	58.3	Bungalow/Bi-Level	2.6
	FHLI (5%)		63,041	45.0	Bungalow/Bi-Level	0.0
Winnipeg	Max. affordable	43,918	122,929	80.0	Bungalow	33.7
	Regular (10%)		82,676	59.7	Bungalow	2.9
	FHLI (5%)		64,943	46.2	Bungalow/Bi-Level	0.0
Thunder Bay	Max. affordable	50,886	168,296	82.0	All Styles	30.3
	Regular (10%)		112,000	50.2	Bungalow, Condo, 1½-Storey	8.1
	FHLI (5%)		93,353	32.9	Bungalow, 1½-Storey, Semi	0.0
Sudbury	Max. affordable	49,294	162,382	79.4	Bungalow	81.6
	Regular (10%)		113,175	44.1	Bungalow	13.5
	FHLI (5%)		92,348	27.7	Bungalow	0.0
Windsor	Max. affordable	47,159	156,865	59.1	Bungalow, 1½-Storey	53.6
	Regular (10%)		115,965	34.4	Bungalow, 1½-Storey	13.4
	FHLI (5%)		99,853	24.0	Bungalow, 1½-Storey	1.1
London	Max. affordable	46,520	156,063	69.8	Bungalow, Row Condo	59.9
	Regular (10%)		125,515	49.1	Bungalow, Row Condo	32.7
	FHLI (5%)		102,503	29.8	Bungalow, Row Condo	2.4
Kitchener	Max. affordable	47,779	157,301	61.7	Bungalow, Split-Level	61.0
	Regular (10%)		131,983	50.0	1½-Storey, Townhouse	40.6
	FHLI (5%)		110,744	32.7	Semi-Detached, Condo	9.0
St. Catharines-Niagara	Max. affordable	44,745	143,824	51.2	Split-Level, Modest 2-Storey	55.7
	Regular (10%)		107,091	29.0	Bungalow, Row Condo	6.8
	FHLI (5%)		91,125	19.8	Bungalow, Apartment Condo	1.5
Hamilton	Max. affordable	48,098	161,146	59.0	2-Storey	45.9
	Regular (10%)		141,597	58.5	1-Storey, 1½-Storey	34.2
	FHLI (5%)		113,797	30.5	1-Storey, Condo	1.0

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1996 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Max. affordable	59,398	200,137	65.7***	Single-Detached	66.2
	Regular (10%)		173,046	50.8***	Single/Semi	48.9
	FHLI (5%)		151,401	36.1***	Semi/Row	28.3
Oshawa	Max. affordable	55,310	183,343	N/A	N/A	82.4
	Regular (10%)		146,961	N/A	N/A	51.6
	FHLI (5%)		119,193	N/A	N/A	7.2
Ottawa	Max. affordable	52,813	164,353	66.0	Bungalow, 2-Storey	81.4
	Regular (10%)		132,648	47.0	Bungalow, Row House	35.0
	FHLI (5%)		114,620	29.9	Row House	2.6
Hull	Max. affordable	44,861	132,425	74.0	Bungalow	82.4
	Regular (10%)		97,109	43.1	Bungalow	41.7
	FHLI (5%)		75,475	21.0	Bungalow	17.8
Montréal	Max. affordable	45,940	136,722	68.7	All Types	77.4
	Regular (10%)		101,000	39.2	All Types	44.5
	FHLI (5%)		84,672	17.9	Bungalow, Condo	13.1
Trois-Rivières	Max. affordable	39,379	109,313	N/A	N/A	89.9
	Regular (10%)		68,358	N/A	N/A	25.5
	FHLI (5%)		60,239	N/A	N/A	13.9
Sherbrooke	Max. affordable	38,863	109,813	65.3	Bungalow	82.4
	Regular (10%)		84,825	31.9	Bungalow	55.0
	FHLI (5%)		71,137	17.0	Semi, Condo, Older Bungalow	41.2
Québec	Max. affordable	42,666	116,424	66.3	All Types	72.3
	Regular (10%)		87,148	38.0	All Types	21.7
	FHLI (5%)		70,981	17.3	All Types except 2-Storey	2.8
Chicoutimi-	Max. affordable	42,090	112,087	77.5	Standard Bungalow	93.3
Jonquière	Regular (10%)		69,757	26.3	Standard Bungalow	31.4
	FHLI (5%)		58,806	8.8	Standard Bungalow	14.9
Saint John	Max. affordable	43,454	132,947	81.2	Bungalow, 2-Storey	75.9
	Regular (10%)		77,375	35.4	Bungalow, 1½-Storey	0.8
	FHLI (5%)		69,137	25.6	Bungalow, 1½-Storey	0.0
Halifax	Max. affordable	47,770	155,996	83.0	Split-Entry	86.5
	Regular (10%)		102,327	39.6	Bungalow	31.8
	FHLI (5%)		87,116	23.0	Bungalow	8.7
St. John's	Max. affordable	47,733	150,670	88.9	Bungalow, 2-Storey	94.6
	Regular (10%)		90,250	44.3	Bungalow	37.7
	FHLI (5%)		82,522	35.2	Bungalow, Semi-Detached	11.1
Charlottetown	Max. affordable	41,865	125,194	64.5	Bungalow, Split-Level	64.3
	Regular (10%)		78,500	18.6	Bungalow	7.1
	FHLI (5%)		63,125	8.3	Bungalow	0.0
Metropolitan	Max. affordable			64.8		67.4
Area Total	Regular (10%)			41.7		37.2
	FHLI (5%)			25.8		15.4

* See definitions section for explanation.

** Percentage of new dwellings sold at or below the range of affordable house prices.

† Newer is five years old or less.

‡ Older is ten years old or more.

*** Calculated using sales instead of active listings.

N/A is data not available from the local real estate board.

SOURCE: ***Canadian Housing Markets.***

Why are some renters ignoring the best home buying conditions in years?

New study investigates relevance of down payment

Record high affordability and an abundant supply of housing have combined to create excellent home buying conditions. Yet, a number of renters do not purchase even when they have the financial capacity to do so. This article summarizes new research on whether down payment affordability problems are limiting home ownership in Canada.

Over the last decade and a half, home ownership among Canadian households under age 40 has declined. Research published in the United States shows a similar decline and attributes it in large part to a lack of down payment funds.

CMHC commissioned a study to see whether the U.S. conclusions applied to Canada. The study also aimed to answer some other important questions: Would it be feasible, and desirable, to develop a down payment affordability indicator? If so, what should the methodology for such an indicator be? Developing the indicator would allow CMHC to determine whether people have enough savings for a down payment. In addition, by identifying the actual down payment required by potential first time buyers, this indicator would help the housing industry market its products.

These are the main conclusions of the research:

- Most renters do not have down payment affordability problems in Canada.
- In 1991, 75 per cent of renters could save a minimum down payment within two years.
- Many potential homebuyers think they need a larger down payment to buy a starter home than they actually do.
- The cost of developing a reliable local indicator of down payment affordability is too high.

Existing studies inconclusive

Conventional wisdom suggests that households will generally purchase a house if they can afford to do so. If they do not, it must be because of a constraint or barrier. However, studies have found that a significant number of renters choose to rent, even if they have the financial capacity to own.

Other studies have found that there are other barriers to home ownership besides the down payment. Such factors include employment uncertainty; increasing property taxes, levies and utility costs; and the perception that house prices and mortgage rates are high. A literature review reveals that there is a perception in Canada that the required down payment is higher than in fact is the case, suggesting that there is an important distinction to be made between a real and a perceived constraint.

Preferred conceptual model too costly

The preferred conceptual model for an affordability indicator was to measure, by Census Metropolitan Area (CMA), the wealth (assets, liabilities and savings available for a down payment) of renters to determine if they had enough to buy their first home. Putting this conceptual model into practice required finding a source of statistically reliable data.

An extensive assessment of potential data sources — among them the Survey of Consumer Finances; the Household Income, Facilities and Equipment (HIFE) Database; and the Survey of Family Expenditures (FAMEX) — revealed that data on the wealth of households are simply not available and that it would be very costly to collect this information, especially for local markets.

Alternative model developed

Because data constraints precluded the preferred conceptual model for measuring down payment directly, an alternative model was devised that determines the capacity to save a down payment, that is, the extent to which households had problems saving for a down payment.

Using CMHC's existing Mortgage Affordability Indicator (MAI) as its starting point, this method was designed to determine the number of months required for a household to save a 10 per cent down payment. It assumed that the renter household sets aside the difference between its current rent and 32 per cent of its gross income (the maximum qualifying Gross Debt Service (GDS) Ratio used in the MAI). A calculation of this difference showed how much time would be required to save a down payment.

Testing the model

One problem in analyzing current trends in Canada was the age of the data available; the model was using 1991 Census data. Test runs carried out in three CMAs (Halifax, Ottawa, and Calgary) found that for the majority of renters whose incomes meet the current CMHC MAI criteria, accumulating a down payment was not a significant barrier to homeownership. Over 75 per cent of renters could save the 10 per cent down payment within two years, simply by saving the difference between their current rent and the

32 per cent of income that they would need to devote to mortgage payments, utilities and taxes once they purchased a home.

Using MAI as a down payment affordability indicator

The research revealed that CMHC's MAI can be used as an indirect indicator of down payment affordability. The MAI captures, by CMA, renters who have sufficient incomes to pay the monthly costs (principal, interest, property taxes and heat) of owning a starter home. The study conclusively shows that a majority of these renters can easily save for a down payment; in other words, if renters qualify under the existing MAI, they can readily accumulate a down payment.

However, the effectiveness of the MAI as a down payment indicator is diminished at certain times. As mortgage rates go down, the required incomes follow, and additional lower-income renters can afford under the MAI. But after paying their monthly rental costs, these less affluent renters have less money available to set aside for a down payment. Accumulating a down payment is much more difficult or even impossible for some at these lower income levels. As mortgage rates decrease, down payment affordability becomes more of a constraint.

Need for information on down payment affordability

The housing industry stakeholders consulted in this research believed that down payment affordability is not a serious problem in today's housing market. Since 1992, two programs have made it easier for first-time buyers to purchase: CMHC's First Home Loan Insurance (FHLI) program, which allows down payments as low as five per cent, and the Home Buyer's Plan, which allows the use of RRSP funds for down payments. Industry representatives, who might use a down payment affordability indicator, cited other factors as more of a concern, including the overestimation of down payment requirements by many potential buyers and the impact of unstable employment on consumer confidence.

Information on minimum down payment values required to purchase average starter homes in Canadian cities does exist (see Table) and is being published here for the first time. As shown in the table, under the FHLI program, down payments vary from a high of $8,531 in Vancouver, to $ 2,940 in Chicoutimi. With CMHC's regular insurance, (ten per cent down) values are higher — from $ 22,378 in Vancouver to $ 6,836 in Trois Rivières.

Conclusions

The report shows that the cost of developing a reliable indicator of down payment affordability is too high. The analysis also highlights that there is not a down payment problem, but rather a down payment awareness problem. In fact, 1996 saw a record number of buyers under the First Home Loan Insurance program; they obviously had the required five per cent down payment.

Paradoxically, a down payment affordability indicator would give some hard facts on this issue. These in turn could help the industry in its marketing and, by educating the public, could help clear up misconceptions on minimum down payments needed to buy. The required down payments shown in the table give one side of the equation. The other side — the amount of wealth that potential first-time buyers actually have available for a down payment — is still unknown.■

The complete 49-page report, *Developing a Downpayment Affordability Measure: Feasibility Study*, is available for $14.95 (plus GST and shipping). To order, call 1-800-668-2642 and select Option 1.

Minimum
Down payment values

Census Metropolitan Area (CMA)	FHLI (5%) $	Regular (10%) $
Victoria	8,253	17,210
Vancouver	8,531	22,378
Edmonton	4,543	10,846
Calgary	5,316	12,742
Saskatoon	3,703	8,885
Regina	3,152	8,006
Winnipeg	3,247	8,268
Thunder Bay	4,668	11,200
Sudbury	4,617	11,318
Windsor	4,993	11,597
London	5,125	12,552
Kitchener	5,537	13,198
St. Catharines	4,556	10,709
Hamilton	5,690	14,160
Toronto	7,570	17,305
Oshawa	5,960	14,696
Ottawa	5,731	13,265
Hull	3,774	9,711
Montréal	4,234	10,100
Trois-Rivières	3,012	6,836
Sherbrooke	3,557	8,483
Québec	3,549	8,715
Chicoutimi	2,940	6,976
Saint John	3,457	7,738
Halifax	4,356	10,233
St. John's	4,126	9,025
Charlottetown	3,156	7,850

Based on house prices found in table "Supply Affordable to Potential First-Time Buyers", *Canadian Housing Markets*.

Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL PROPERTY TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JUL.-DEC. 1995	JUL.-DEC. 1996	JUL.-DEC. 1995	JUL.-DEC. 1996	JUL.-DEC. 1995	JUL.-DEC. 1996	JUL.-DEC. 1995	JUL.-DEC. 1996	JUL.-DEC. 1995	JUL.-DEC. 1996	JUL.-DEC. 1995	JUL.-DEC. 1996
Victoria	174,500	172,104	1,253	1,111	1,636	1,635	657	619	1,444	1,299	54,166	48,709
Vancouver	189,900	201,888	1,356	1,288	1,572	1,590	479	451	1,527	1,458	57,262	54,663
Edmonton	102,920	108,456	739	700	1,350	1,316	631	643	904	863	33,911	32,379
Calgary	121,000	127,418	869	823	1,315	1,315	550	561	1,024	979	38,419	36,709
Saskatoon	80,444	88,851	578	574	1,592	1,625	644	630	764	762	28,654	28,557
Regina	81,451	80,056	585	517	2,070	2,107	625	611	810	743	30,360	27,874
Winnipeg	81,500	82,676	585	534	2,339	2,418	819	795	849	801	31,820	30,055
Thunder Bay	108,500	112,000	779	723	1,329	1,372	971	971	971	918	36,414	34,435
Sudbury	112,784	113,175	810	731	1,558	1,572	878	858	1,013	933	37,990	34,995
Windsor	114,293	115,965	821	749	1,660	1,760	684	685	1,016	952	38,109	35,713
London	119,422	125,515	858	810	1,665	1,723	684	685	1,053	1,011	39,506	37,910
Kitchener	129,085	131,983	927	852	2,131	2,171	684	685	1,162	1,090	43,566	40,875
St. Catharines-Niagara	111,172	107,091	798	691	1,947	1,997	650	645	1,015	912	38,059	34,182
Hamilton	135,704	141,597	975	914	2,098	2,119	684	685	1,207	1,148	45,245	43,041
Toronto	168,412	173,046	1,210	1,117	2,749	2,805	650	645	1,493	1,405	55,983	52,673
Oshawa	142,215	146,961	1,021	949	2,374	2,374	650	645	1,273	1,200	47,754	45,011
Ottawa	128,946	132,648	926	856	2,963	2,968	707	701	1,232	1,162	46,198	43,581
Hull	94,097	97,109	676	627	1,946	1,934	1,265	1,275	943	894	35,381	33,536
Montréal	101,000	101,000	725	652	1,951	1,951	1,234	1,244	991	918	37,159	34,434
Trois-Rivières	67,681	68,358	486	441	1,409	1,415	1,315	1,325	713	670	26,742	25,109
Sherbrooke	81,234	84,825	583	548	1,592	1,596	1,345	1,355	828	793	31,058	29,755
Québec	88,029	87,148	632	563	1,970	2,051	1,345	1,355	908	846	34,069	31,741
Chicoutimi-Jonquière	69,985	69,757	503	450	1,532	1,594	1,395	1,406	747	700	27,999	26,261
Saint John	78,056	77,375	561	500	1,160	1,194	1,063	1,063	746	688	27,972	25,786
Halifax	98,133	102,327	705	661	1,366	1,330	912	972	895	852	33,549	31,965
St. John's	89,804	90,250	645	583	1,097	1,108	1,155	1,205	833	775	31,224	29,076
Charlottetown	75,000	78,500	539	507	1,405	1,430	1,043	1,038	743	712	27,848	26,714

Source: *Canadian Housing Markets.*

Note that property taxes do not include rebates that are available in some provinces.

Levies, fees, charges and taxes add up to a major effect on housing affordability

The levies, fees, charges, taxes and transaction costs that must be paid for new homes vary considerably across Canada. The variation may be the result of differing house prices due to local market conditions, or they may reflect how local development charges and taxes are applied and who installs infrastructure. It is important to understand the reasons for this variability. These costs can have a major effect on the affordability of new housing.

The housing industry in Canada has long expressed concern about the cumulative effect of the government and institutional costs associated with purchasing a new home. Some of these costs, such as development charges, can be substantial, and even smaller levies, fees, charges and transaction costs can add up to a significant amount. These costs can have a direct effect on the total cost of housing and housing affordability.

A new report, Levies Fees, Charges, Taxes and Transaction Costs on New Housing, published jointly by CMHC and the Canadian Home Builders' Association (CHBA), provides estimates of these costs for a typical house in 26 municipalities across Canada. For the purposes of this study, a typical house was defined as one whose price is at the first quintile of house prices for the municipality. That is, 20 per cent of the houses have lower prices and 80 per cent have higher prices.

The costs are a part of any new home purchase. They include local municipal charges, such as infrastructure charges, land dedications, processing fees for development applications and building permit and plumbing fees; provincial sales taxes; new home warranty fees; the Goods and Services Tax; and transaction costs. Transaction costs are the expenses that purchasers of new homes face when executing a contract to buy a home. They include costs related to the purchase of the home and acquiring the mortgage, as well as costs faced by the builder in the initial acquisition of the land and ultimate sale to the home buyer.

Local charges

The cost of infrastructure is one of the largest single charges facing developers in many municipalities and the main factor in the variability of local charges across the country. Infrastructure charges are levied by the municipalities for the installation of services such as water and sewer connection fees and engineering fees. In Ontario, they can also include schools and recreation facilities. In many municipalities, infrastructure charges account for $10,000 or more, while in others they are relatively low—from less than $5,000 all the way down to zero.

Infrastructure charges vary between municipalities mainly because they have different ways of sharing infrastructure costs with developers. In most municipalities, developers bear the cost of providing infrastructure within their subdivisions. However, there are significant differences in the way the cost of providing infrastructure outside the subdivision is shared between the municipality and the developer. In most of Quebec, the municipality installs all infrastructure, both off-site and on-site.

These differences can have a major effect on the level of municipal charges and therefore on housing costs. For example, in several municipalities infrastructure costs are fixed, regardless of the size of the dwelling. As a result, a larger porportion of the cost of smaller homes is for development charges than of larger homes.

Total local charges range from $1,110 in Charlottetown to $23,355 in Vaughan. In municipalities where local costs are the lowest, developers must bear the cost of installing internal subdivision services and connections to municipal trunk services.

Provincial taxes

Provincial sales taxes also add to the cost of buying a new house. Except in Alberta and the territories, a retail sales tax applies to new housing. However, in Quebec, the harmonized tax applies to the final price of a house. In all other provinces, the tax is applied on materials used in the construction of the house. The effective rate of provincial tax depends on two factors: the tax rate and the share of the house price for materials. Therefore, in markets where land is a large component of the house price, the effective tax rate is lower. For example, in Burnaby, where the price of the typical house is $479,200, the provincial sales tax is only 1.2 per cent of the price, while in St.John's, where the price of the typical house is $85,000, the tax amounts to 4.9 per cent of the price.

New home warranty fees

Most new homes built by the housing industry are enrolled in a warranty program. The CMHC-CHBA study assumes that the builders are eligible for the lowest enrollment fees consistent with the type and price of dwelling. These fees range from $180 in Grande Prairie to $650 in Mississauga and Vaughan.

Federal Goods and Services Tax

The Goods and Services Tax (GST) is payable on all new housing in Canada. But houses built for home ownership whose price is less than $350,000 are eligible for a rebate of 36 per cent of the GST paid. The rebate diminishes to zero in a graduated scale for houses priced between $350,000 and $450,000. As a result, the effective rate of GST paid on the typical owner-

continued on next page

occupied home in most municipalities is 4.48 per cent of the price of the house. Of the municipalities included in this study, only in Burnaby does the typical house attract the full 7 per cent GST because of the high value of the home. St. John's, with the lowest typical house price, has the lowest GST payable.

Transaction costs to home purchaser

Transaction costs include both the costs related to the purchase of a house and those related to acquiring a mortgage. Purchase-related transaction costs include surveys, certificates, fees for lawyers (notaries in Quebec), the land transfer tax and registration fees, mortgage insurance and other fees. GST applies to all of these. Provincial sales taxes apply only in Quebec. Land transfer and registry charges vary from $150-165 for the typical house in Alberta to $7,634 in Burnaby. As a proportion of the price of a typical house, land transfer taxes and registry fees range from 1.60 per cent in Halifax to 0.15 per cent in Yellowknife.

Legal fees range from $500 to $750, depending on the jurisdiction. In this study, legal fees include the cost of arranging both the purchase of the house and the mortgage.

Transaction costs related to acquiring a mortgage include the fee for mortgage insurance, which is 2.5 per cent of the value of the mortgage (assumed to be 90 per cent of the value of the house), the mortgage insurance application fee and the mortgage registration fee. In total, these expenses range from 2.57 per cent of the value of the mortgage in Burnaby to 3.27 per cent in St. John's.

Transaction costs to developers

Transaction costs are involved in the original sale of the land to the builder or developer. These include land transfer taxes and registry fees, certificates, the provision of surveys, and the legal fees involved in the sale. Land transfer and registry charges are generally higher in municipalities with high land costs.

Transaction costs for developers are highest in Burnaby, at $2,630 for the typical house. But, because of the high price of houses in Burnaby, these costs represent a small proportion of the total, 0.55 per cent. In St. John's, where the price of the typical house is much less than in Burnaby, developers' transaction costs represent almost the same proportion, 0.54 per cent. In most other municipalities where typical house prices are much less than the price of the Burnaby house, developers' transaction costs are less than 0.5 per cent of the price.

Total transaction costs

In most municipalities, total transaction costs represent between 3.5 and 4.5 per cent of the price of the typical house. Halifax has the highest total transaction costs as a per cent of the price of the typical house, 5.68 per cent. House prices are relatively low, and there is a high deed transfer tax. In Yellowknife, Whitehorse and

Total Levies, Fees, Charges, Taxes and Transaction Costs*

Typical Single-Detached Houses

Municipality	*Typical* House Price ($)	Levies, Fees, Charges, Taxes and Transaction Costs: Local Charges ($)	PST ($)	Warranty ($)	GST ($)	Transaction Costs ($)	Total ($)	Total as Per cent of Price
St. John's, Nfld.	85,000	1,450	4,129	200	3,808	4,054	13,640	16.0
Charlottetown, P.E.I.	96,800	1,110	3,894	200	4,337	3,928	13,468	13.9
Halifax, N.S.	90,000	1,615	3,599	200	4,032	5,110	14,557	16.2
Moncton, N.B.	123,200	1,886	5,316	200	5,519	4,555	17,476	14.2
Laval, Que.	108,000	14,712	4,687	315	4,838	4,847	29,400	27.2
Saint-Hubert, Que.	116,400	12,837	5,052	315	5,215	5,170	28,588	24.6
Beauport, Que.	90,000	12,518	3,906	299	4,032	4,302	25,057	27.8
Gatineau, Que.	102,800	2,253	4,462	315	4,605	4,708	16,343	15.9
Kanata, Ont.	169,600	17,627	4,958	600	7,598	7,492	38,275	22.6
Mississauga, Ont.	217,900	19,970	5,735	650	9,762	9,369	45,486	20.9
Vaughan, Ont.	230,000	23,355	6,258	650	10,304	9,759	50,326	21.9
London, Ont.	129,900	9,387	3,242	550	5,820	6,276	25,274	19.5
Sudbury, Ont.	110,000	6,653	2,962	550	4,928	5,508	20,601	18.7
Winnipeg, Man.	117,000	3,790	2,891	200	5,242	4,618	16,740	14.3
Regina, Sask.	119,000	6,871	3,953	308	5,331	4,551	21,014	17.7
Saskatoon, Sask.	107,100	10,503	3,594	308	4,798	4,228	23,431	21.9
Calgary, Alta.	121,000	5,000	—	195	5,421	4,387	15,003	12.4
Edmonton, Alta.	129,500	7,344	—	195	5,802	4,595	17,935	13.8
Grande Prairie, Alta.	115,000	3,865	—	180	5,152	4,231	13,428	11.7
Surrey, B.C.	269,900	19,870	5,202	185	12,092	11,321	48,669	18.0
Burnaby, B.C.	479,200	3,543	5,921	185	33,544	21,906	65,099	13.6
Saanich, B.C.	281,700	12,518	4,716	185	12,620	12,202	42,241	15.0
Kelowna, B.C.	154,600	11,850	3,160	185	6,926	6,615	28,736	18.6
Prince George, B.C.	164,000	3,116	3,881	185	7,347	6,830	21,360	13.0
Whitehorse, Y.T.	145,000	4,250	—	185	6,496	5,256	16,187	11.2
Yellowknife, N.W.T.	165,000	1,341	—	—	7,392	5,604	14,337	8.7

**Figures may not add due to rounding*

Alberta municipalities, where there are no land transfer taxes and the registry fees are low, total transaction costs are 3.40-3.68 per cent of the house price.

Total transaction costs range from a low of $3,928 in Charlottetown to a high of $21,906 in Burnaby, reflecting relative house prices and land transfer taxes. Total transaction costs for typical row dwellings are lower because their lower prices lead to lower land transfer taxes, registry fees and smaller mortgages.

Total levies, fees, charges, taxes and transaction costs

The report presents a clear picture of the significant variation in cumulative levies, fees, charges, taxes and transaction costs across the country.

As the table indicates, Burnaby has the highest total levies, fees, charges, taxes and transaction costs, at just over $65,000 for the average house. However, the total costs are only 13.6 per cent of the price in Burnaby, well below the range of 24.6-27.8 per cent in Beauport, Laval and Saint-Hubert. In these Quebec communities, local charges constitute a higher proportion of the total cost of the house than might be expected because municipalities install internal and external subdivision services and because provincial sales taxes are higher than in some other provinces.

The estimates provided in the report confirm that the costs required for developing, building and purchasing a modest new house are significant. Some costs associated with regulations and policies have not been included in the study. These include the costs involved in land development approvals, building and land development requirements and payments to electric and gas utilities. Although less quantifiable than levies, fees, charges, taxes and transaction costs, these costs can nonetheless be substantial. ■

The full report, by Greg Lampert and Mark Denhez, is available from the Canadian Housing Information Centre at (613) 748-2367.

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Numéro de catalogue CHMSF

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CMHC Market Analysis Centre   Second Quarter 1997

Predicted housing strength for 1997 — on track !

In our fourth quarter issue, CMHC predicted that local housing markets in 1997 would maintain the gains of 1996. It now seems clear that the actual level of activity will exceed our initial optimism. Total starts in all major urban centres combined will increase twice as fast in 1997 as forecast at the end of 1996, 14.9 per cent instead of 7 per cent. Resales will increase by 4.5 per cent up from 3 per cent initially forecast for 1997.

FORECAST HIGHLIGHTS

- ***Higher starts will be led by more custom-built housing demand. The increase in total starts will be almost 15 per cent in 1997, after increasing by 14 per cent in 1996. Centres with the highest growth single activity will be Hamilton, Trois-Rivières, Toronto, Edmonton and Chicoutimi.***
- ***Sales of existing homes will increase for a second year in a row, close to 5 per cent over 1996. Centres with the highest increase in resales will be Kitchener, Hamilton, Edmonton, Ottawa and St. Catharines.***
- ***Single housing starts in Calgary will be ahead of Montréal and surprisingly in front of Vancouver by approximately 600 units in 1997.***
- ***Employment will be up in 24 of the 27 major centres in Canada in 1997, by an average increase of 1.8 per cent. At 5.6 per cent, growth in Calgary will lead the country.***

Many major centres are predicted to continue to do well in 1997, as housing gains from last year strengthen. This year is on track for a very good performance. Builders, realtors and lenders will benefit from continued increases.

Total starts of all house types will grow by close to 15 per cent, and this growth will be shared by 19 of the 27 major urban centres. Resales, increasing by almost 5 per cent, will maintain the important gains (23.6 per cent) registered in 1996. The sale of existing homes will be positive in 17 of the 27 major centres

Enthusiastic repeat buyers strengthening the resale market since the second half of 1995 have now given strength to the new housing market. This bears out our prediction in the fourth quarter 1996 issue, and we now expect activity in 1997 to be even higher than foreseen earlier. Consumer confidence will continue to strengthen in most centres as interest rates stay relatively low and as employment continues to improve, particularly for the younger work force. An abundant supply of affordable housing in many centres is also contributing to higher resale levels. The expansion of the new housing market will continue, notably in custom-built single-detached homes.

Employment gains are expected in 24 of Canada's major markets, with an average increase of 1.8 per cent. This will sustain consumer confidence and stimulate the housing market, especially as some price growth can also be expected.

Repeat buyers spark higher than expected new construction

Repeat buyers will be active in 1997. One indicator of this is single housing starts, which will increase in 22 major centres across the country. An overall increase in single starts of 17 per cent is expected after an increase of slightly more than 25 per cent in 1996.

Riding the crest of sustained activity, single starts promise to join resale markets, which have been strong since the second half of 1995. Singles will comprise a large portion of the total in many

continued on page 4

AUG 1, 1997

Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Victoria	1995	144,000		1,299		-8.6	449		318,500		5,142		235,500		3.5
	1996	145,200	0.8	1,142	-12.1	-7.1	586	30.5	319,000	0.2	6,231	21.2	231,145	-1.8	4.1
	1997**	147,400	1.5	1,335	16.9	1.8	660	12.6	315,000	-1.3	6,540	5.0	233,000	0.8	3.5
Vancouver	1995	909,000		14,992		-5.0	4,526		527,060		31,283		405,432		1.2
	1996	925,000	1.8	15,453	3.1	-6.0	5,072	12.1	509,323	-3.4	27,484	-12.1	387,891	-4.3	1.3
	1997**	943,500	2.0	15,800	2.2	-1.0	6,000	18.3	520,000	2.1	29,300	6.6	380,000	-2.0	1.6
Edmonton	1995	453,000		3,082		-1.3	2,159		159,692		8,884		120,832		10.2
	1996	454,400	0.3	3,634	17.9	2.1	2,944	36.4	157,069	-1.6	11,566	30.2	118,204	-2.2	7.6
	1997**	466,000	2.6	5,100	40.3	2.7	3,700	25.7	161,000	2.5	13,000	12.4	122,000	3.2	5.7
Calgary	1995	427,000		5,685		0.8	4,387		180,220		13,003		132,151		3.6
	1996	448,000	4.9	7,111	25.1	1.0	5,862	33.6	175,901	-2.4	17,766	36.6	134,318	1.6	1.5
	1997**	473,000	5.6	8,600	20.9	10.0	6,600	12.6	183,000	4.0	19,000	6.9	141,000	5.0	1.0
Saskatoon	1995	106,400		697		1.3	479		142,974		2,814		82,030†		1.0
	1996	108,400	1.9	1,208	73.3	2.3	635	32.6	138,107	-3.4	3,359	19.4	83,132†	5.0	0.7
	1997**	109,100	0.6	915	-24.3	2.5	640	0.8	142,276	3.0	3,450	2.7	88,600†	2.9	1.0
Regina	1995	98,900		371		3.1	311		144,739		2,588		76,629†		2.2
	1996	101,000	2.1	434	17.0	2.9	362	16.4	133,282	-7.9	3,099	19.7	76,590†	-0.1	1.9
	1997**	103,000	2.0	475	9.4	2.0	375	3.6	135,000	1.3	2,950	-4.8	78,000†	1.8	1.7
Winnipeg	1995	343,300		984		1.5	840		153,693		8,868		82,646		5.4
	1996	345,500	0.6	1,135	15.3	0.9	838	-0.2	145,455	-5.4	9,828	10.8	86,996	5.3	6.0
	1997**	350,600	1.5	1,300	14.5	1.5	975	16.3	150,000	3.1	10,300	4.8	88,700	2.0	5.8
Thunder Bay	1995	63,900		288		0.4	196		183,488		1,393		110,887		6.2
	1996	61,800	-3.3	296	2.8	-0.3	162	-17.3	183,740	0.1	1,458	4.7	112,723	1.7	5.6
	1997**	62,100	0.5	277	-6.4	0.5	190	17.3	184,660	0.5	1,516	4.0	115,203	2.2	5.6
Sudbury	1995	78,250		336			257		149,825		1,723		113,767		6.0
	1996	79,500	1.6	346	3.0		300	16.7	147,821	-1.3	2,177	26.3	108,133	-5.0	6.8
	1997**	80,000	0.6	375	8.4		325	8.3	147,000	-0.6	2,175	-0.1	109,000	0.8	6.5
Windsor	1995	126,800		1,495		1.2	1,217		187,265		4,587		117,361		1.8
	1996	134,100	5.8	2,300	53.8	0.3	1,629	33.9	184,153	-1.7	5,171	12.7	121,088	3.2	2.8
	1997**	137,000	2.2	2,040	-11.3	2.8	1,385	-15.0	189,000	2.6	5,300	2.5	125,000	3.2	3.0
London	1995	207,900		1,016		-2.7	579		205,976		5,397		127,167		4.3
	1996	203,800	-2.0	1,394	37.2	-1.1	804	38.9	185,768	-9.8	6,770	25.4	127,261	0.1	6.0
	1997**	205,800	1.0	1,500	7.6	1.5	940	16.9	180,000	-3.1	6,400	-5.5	128,500	1.0	6.0
Kitchener	1995	204,600		1,105		-0.7	759		178,079		3,467		135,574		2.2
	1996	203,500	-0.5	1,968	78.1	-0.1	1,339	76.4	176,445	-0.9	4,666	34.6	134,839	-0.5	1.8
	1997**	204,000	0.2	2,100	6.7	1.1	1,450	8.3	175,000	-0.8	5,500	17.9	138,000	2.3	2.0
St. Catharines-Niagara	1995	159,600		898		-1.0	565		172,238		2,394		122,328		5.2
	1996	164,900	3.3	995	10.8	1.0	668	18.2	182,840	6.2	2,866	19.7	122,662	-0.5	5.6
	1997**	168,400	2.1	1,135	14.1	2.0	800	19.8	183,000	0.1	3,150	9.9	122,250	0.5	5.0
Hamilton	1995	312,000		2,001		-1.2	1,057		208,796		7,736		141,128		2.1
	1996	309,000	-1.0	2,642	32.0	-0.9	1,472	39.3	210,247	0.7	10,224	32.2	142,267	0.8	2.2
	1997**	310,000	0.3	3,200	21.1	1.3	2,000	35.9	214,000	1.8	11,700	14.4	152,000	6.8	2.0

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Toronto	1995	2,123,000		16,325		0.9	6,879		306,738		39,273		203,028†		0.8
	1996	2,158,000	1.6	18,998	16.4	-1.3	10,152	47.6	298,723	-2.6	55,779	42.0	198,150†	-2.4	1.2
	1997**	2,205,000	2.2	24,300	27.9	1.5	13,500	33.0	310,000	3.8	58,000	4.0	207,000†	4.5	1.6
Oshawa	1995	127,600		1,330			1,035		184,868		N/A		N/A		2.7
	1996	129,600	1.6	1,563	17.5		1,216	17.5	183,340	-0.8	N/A		N/A		3.7
	1997**	132,000	1.9	1,850	18.4		1,450	19.2	188,000	2.5	N/A		N/A		3.8
Ottawa	1995	380,900		2,190		-1.8	807		217,277		6,481		152,569		3.8
	1996	393,600	3.3	3,066	40.0	-1.6	1,439	78.3	189,980	-12.6	8,648	33.4	150,087	-1.6	4.9
	1997**	401,500	2.0	3,650	19.0	0.8	1,720	19.5	192,450	1.3	9,660	11.7	152,500	1.6	4.0
Hull	1995	129,300		1,208			548		130,335		1,243		102,610§		8.3
	1996	131,000	1.3	1,044	-13.6		520	-5.1	128,000	-1.8	1,766	42.1	98,239§	-4.3	7.7
	1997**	132,000	0.8	1,050	0.6		525	1.0	125,000	-2.3	1,800	1.9	98,000§	-0.2	7.0
Montréal	1995	1,544,000		7,468		0.7	3,819		141,371		16,225		114,185		6.2
	1996	1,557,600	0.9	7,556	1.2	0.0	3,781	-1.0	134,492	-4.9	21,816	34.5	111,989	-1.9	5.7
	1997**	1,577,600	1.3	9,000	19.1	0.0	4,300	13.7	134,000	-0.4	21,600	-1.0	112,000	0.0	5.4
Trois-Rivières	1995	63,000		519			217		96,100		674		71,900		7.2
	1996	63,000	0.0	486	-6.4		229	5.5	90,970	-5.3	853	26.6	75,700	5.3	8.0
	1997**	64,000	1.6	590	21.4		310	35.4	94,900	4.3	800	-6.2	78,000	3.0	8.2
Sherbrooke	1995	65,500		582			332		112,500		758		81,400		6.2
	1996	66,450	1.5	797	36.9		309	-6.9	104,800	-6.8	903	19.1	84,800	4.2	6.6
	1997**	67,400	1.4	870	9.2		320	3.6	105,800	1.0	980	8.5	88,000	3.8	7.0
Québec	1995	316,300		2,405		0.7	1,842		97,600		3,650		85,032		6.0
	1996	324,800	2.7	2,208	-8.2	-1.4	1,077	-45.4	96,200	-1.4	4,763	30.5	84,870	-0.2	6.5
	1997**	324,800	0.0	2,200	-0.4	0.0	1,100	9.3	96,200	0.0	4,550	-4.5	85,250	0.4	6.8
Chicoutimi-	1995	61,830		311			166		88,166		1,220‡		74,701		6.0
Jonquière	1996	64,175	3.8	309	-0.6		237	42.8	85,021	-3.6	1,393‡	14.2	72,800	-2.5	5.4
	1997**	65,475	2.0	480	55.3		290	22.4	83,000	-2.4	1,400‡	0.5	73,500	1.0	5.4
Saint John	1995	59,300		267		-0.1	195		108,968		908		88,581		9.1
	1996	57,100	-3.7	306	14.6	-1.1	217	11.3	113,167	3.9	1,152	26.9	86,875	-1.9	9.0
	1997**	56,500	-1.1	250	-18.3	-0.5	200	-7.8	116,500	2.9	1,050	-8.9	88,000	1.3	9.0
Halifax	1995	166,000		2,080		0.0	1,173		126,400		4,382		117,624		7.7
	1996	172,100	3.7	2,022	-2.8	0.1	1,578	34.5	127,500	0.9	5,442	24.2	105,869	-10.0	8.7
	1997**	175,000	1.7	1,900	-6.0	0.5	1,325	-16.0	134,000	5.1	4,800	-11.8	109,000	3.0	8.1
St. John's	1995	81,900		745		0.1	312		121,500		1,572		89,655		10.8
	1996	78,300	-4.4	1,001	34.4	-1.1	524	67.9	117,500	-3.3	1,915	21.8	94,142	5.0	15.4
	1997**	77,800	-0.6	975	-2.6	1.5	500	-4.6	120,000	2.1	2,075	8.4	95,000	0.9	15.5
Charlottetown	1995	25,900		171			149		114,000		241		95,800		7.1
	1996	26,300	1.5	265	55.0		229	53.7	123,300	8.2	372	54.4	97,700	2.0	4.0
	1997**	24,600	-6.5	250	-5.7		210	-8.3	120,000	-2.7	340	-8.6	97,000	-0.7	5.5
ALL	1995	8,779,180		69,850			35,255				175,906				4.3
METRO	1996	8,906,125	1.4	79,679	14.1		44,181	25.3			217,467	23.6			4.3
AREAS	1997**	9,063,575	1.8	91,517	14.9		51,790	17.2			227,336	4.5			4.2

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1997 values are CMHC forecasts.*

† *Average MLS price.*

‡ *Sales data is from TEELA.*

§ *Singles and semi-detached.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1 centres, and, as a proportion of starts in all major centres combined, will make up 57 per cent of this year's total, in contrast to 50 per cent as recently as 1995.

Overall, total starts will increase by almost 15 per cent in 1997 after increasing by around 14 per cent in 1996. In total, 19 centres will see starts of all types of homes increase. In many centres where total starts will decrease, the drop will be a correction from very high levels of activity in 1996.

Single housing starts in 1997 will rise the most (by more than 20 per cent) in Hamilton, Trois-Rivières, Toronto, Edmonton and Chicoutimi. They will grow by 22 per cent in Chicoutimi for a total of 290 units. This increase is not only the result of reconstruction after the floods of last summer, but also due to the very low historical level of 1996.

In Hamilton, the strength of the resale market finally influenced single housing construction positively. More and more repeat buyers are choosing custom-built new homes. Single starts will total 2,000 units, representing an increase of 36 per cent over 1996 activity.

In Trois-Rivières, single starts will rebound for the second straight year in 1997, increasing almost 35 per cent after improving by nearly 6 per cent in 1996. The resurgence in the new singles market is due to a combination of increasing consumer interest and low levels of activity in the past few years.

As in other markets, sales of new singles in Toronto are closely linked to a tight resale market. This market has become tighter,with sales growing faster than listings, since the beginning of the second half of 1996. As this trend continues, new singles become increasingly attractive as a substitute for existing homes.

In Edmonton, buyers will again demand more singles because lower inventories of resale homes in the more popular areas and price ranges will combine with low inventories of new homes. Single starts are expected to reach 3,700 units in 1997, for an increase of 26 per cent over 1996.

Highlights of 1997 Forecast

Percentage Change in Annual Single Housing Starts: 1996-1997

Top Five	%	Bottom Five	%
Hamilton	35.9	Halifax	-16.0
Trois-Rivières	35.4	Windsor	-15.0
Toronto	33.0	Charlottetown	-8.3
Edmonton	25.7	Saint John	-7.8
Chicoutimi	22.4	St. John's	-4.6

Single starts will decline in some centres, almost invariably because of high levels of activity in 1996. These centres are expected to be Halifax (-16.0), Windsor (-15.0), Charlottetown (-8.3), Saint John (-7.8) and St. John's (-4.6).

In Halifax, single starts will be affected by the general slowdown in housing construction. The buying spree of recent months ended when the Provincial Sales

continued on next page

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An inside look at the Calgary situation

What happened to listings this winter?

"This winter, with the return of consumer confidence and low mortgage rates, resale volumes reached new highs while the number of new listings declined," according to Senior Analyst Karla Spilstead in the spring Calgary Housing Market Outlook.

A declining number of listings at this stage in the cycle is surprising for two reasons. First, with the spring season approaching, the number of listings is usually on the rise. Second, strong resale demand, which Calgary has been experiencing since the beginning of 1997, usually encourages potential move-up buyers to list their homes because they are more likely to sell.

There may be many reasons for the shortage of listings. Perhaps as the market is going up, more people are listing their home with only one realtor (exclusive listings) and thus leaving some of the information out of the MLS system. Private sales, encouraged by a more active market, may also be taking place. Still other home owners may be holding off selling, preferring instead to renovate. Data for this hypothesis will be available only later.

One should not forget that the market was very strong in 1996, well above traditional levels of activity. Many home owners who wanted to sell may have done so already. This would explain the strength in custom-built single homes since 1996.

The last element may be that home owners are more conservative than in the past. The existence of an active resale market is not enough to convince them to sell their home and move up.

In spite of the elements above, CMHC's Calgary office expects listings to increase in late spring, as more people decide to list their house for sale in light of rising average prices. Overall sales in 1997 are forecast to reach 19,000 units, an advance of 7.0 per cent over 1996. Average prices are expected to be 5 per cent higher in 1997. ■

Tax rebate program ended just before the introduction of the new harmonized sales tax (HST) on April 1.

After a record 1,629 single-detached starts in 1996, new single starts in Windsor will fall 15 per cent to 1,385 units in 1997. This level of construction will still result in the third best year for single starts in the Windsor area. Rising material costs and prices will combine with slightly higher interest rates to lessen affordability modestly and thus lower new home demand in 1997.

The outlook for single-detached homes in Charlottetown in 1997 points to a slight decrease from 1996. Although mortgage rates and the presence of potential move-up buyers are positive factors, the economy will be on hold in 1997 as a number of large scale employers fold operations on PEI. The end of CN Marine and the Confederation Bridge construction in June will affect Charlottetown, dampening consumer confidence and postponing building plans for some.

In Saint John, the continually growing number of existing homes on the market provides attractive alternatives for many new home buyers. The anticipated winter rally in activity in advance of the HST did not occur. Single-family construction will settle back to 200 units this year. Although there is still some pent-up demand for modestly priced homes, the combination of rising mortgage rates, the HST, and a soft job market will make many buyers wait before considering the purchase of a new home.

In St. John's, home building will be suppressed this year by increased competition from the existing home market due to perceived higher costs associated with the new HST and a reduction in housing requirements.

Southern Ontario centres lead resale market

Resales are expected to edge up approximately by 5 per cent in 1997 after substantial growth of almost 24 per cent in 1996. This increase, higher than our initial forecast of 3 per cent growth for resales in 1997, will occur in 17 of the 27 major centres. Resales increased in 26 centres in 1996.

Resales will increase the most in the southern part of Ontario, in Kitchener (up by almost 18 per cent), Hamilton (14.4) and St.Catharines (9.9). Ottawa resales will increase by almost 12 per cent. The only non-Ontario location in the top five markets will be Edmonton, with an increase of more than 12 per cent.

Edmonton will rebound for the second consecutive year, after the strongest year of growth since 1985. With brighter economic prospects, in-migration will boost MLS sales again, to 13,000 residential units.

In Kitchener, the employment losses that have occurred recently have been confined largely to workers over the age of 45. Employment gains have strengthened the confidence of prime home buyers between 25 and 44.

The Hamilton market will begin to favour sellers in 1997. Sales are expected to rise 14 per cent to 11,700 residential units. In spite of recent employment growth in the 25-to-44 age group, low interest rates will sustain housing activity growth. The 25-to-44 age group is key to starter and repeat buying activity.

The Ottawa existing home market will also pick up substantially (11.7 per cent) in 1997. Low interest rates, affordable house prices

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How does Canadian housing compare internationally? — Better in many areas

The quality of Canada's housing in many respects exceeds that found anywhere else in the industrial world. The Canadian housing industry has achieved this distinction despite the challenge of our difficult and expensive northern climate and the rapid rate of population growth.

For the size of the country's GDP, Canada has one of the most important housing construction sectors in the world. A recent comparison of countries by the U.S. National Association of Home Builders (NAHB) shows that Canadians dedicate about 6.8 per cent of their gross domestic product to residential construction. This is much higher than other western industrial countries, most of which dedicate about five per cent or less (see graph).

With its high rate of market growth, Canada spends a great deal on home building, repair and renovation. This is partly because heating and insulating against snow and cold are costly; in addition, Canadian consumers have high expectations and Canadian households have been growing rapidly. In return for this expense, however, Canadians have built up a housing stock of above-average quality.

Youthful buyers and immigrants fuel growth

Canada has one of the fastest population and household growth rates among industrialized countries. Its population growth of 1.45 per cent per year in the early nineties was surpassed only by Australia at 1.48 per cent. Canada's household growth rate between 1975 and 1994 was 2.65 per cent, just behind Australia at 3.14 per cent.

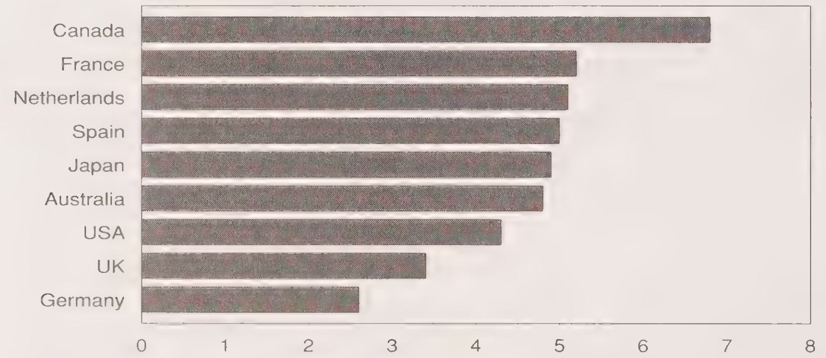
Rapid household growth can be expected in a country with a relatively youthful population and high rate of immigration. The median age of Canadians in 1991, 31.7, compared with 33.4 in the U.S., meant that Canada had proportionally more people at the age when most people leave their parental home. And Canada's high immigration now accounts for most of the household growth in the largest Canadian cities — Toronto, Montréal and Vancouver.

Replacements and second homes push up demand in other countries

While demographic factors and immigration have kept Canadian home construction in high gear, the housing sector in other countries has been propelled by the need to replace homes demolished or converted to other purposes. In *continued on next page*

Share of GDP Dedicated to Residential Construction

% Average 1991-94



Source: National Association of Home Builders(USA) Housing Economics, Dan Mercer, International Comparison of Housing Markets, *December 1995*

A Comparison of International Housing Demand Factors

	Canada	USA	Australia	Japan	Netherlands	France	UK
Housing starts (000s) – avg. annual 1991-94	158	1,240	158	1,460	90	281	176
% Population growth – annual 1991-94	1.45	1.08	1.48	0.36	0.72	0.5	0.32
Household growth – avg. annual 1975-94	2.65	1.73	3.14	1.85	2.09	0.95	0.41
Median age of population	31.7	33.4	33.4	36.2	37.7	38.1	38.8
% Of starts needed for removals 1991-94	6	19	16	50	12	15	7
% Annual household mobility 1991	18.0	16.2	17.0	9.5	7.7	9.4	9.6

Source: Data compiled by the National Association of Home Builders (USA) Housing Economics, Dan Mercer, International Comparison of Housing Markets, *December 1995*

Japan, for example, half of recent housing starts went into replacing removed dwellings. This drove up Japanese starts to a phenomenal 1.46 million yearly in the early nineties.

Japan has had to replace removed housing mainly because of the country's rapid growth and redevelopment and its crowded cities. Existing homes are often demolished because a site is more valuable if it is used for non-housing purposes or built to a higher density, or because a building can gain value if it is converted to non-housing uses.

Canada does not have to construct many houses to replace removed housing. This is partly because of the high quality of Canadian housing (see next section), and because most Canadian cities have more space for expansion and growth than Japanese and European cities. Only six per cent of new Canadian units in the early nineties were required to replace removed homes. By contrast, between 10 and 20 per cent of new dwellings were needed for replacement in the U.S., Netherlands, France and Australia. Surprisingly, the building space in many major Australian cities is limited because the cities are hemmed in by mountains and the ocean.

Local housing preferences also affect the need for replacement housing. Spain, Germany and Britain, for example, had replacement requirements on a par with Canada's. In some cases, this appears to be due to a low tolerance for the removal of existing housing.

Home-building rates in some countries are raised by the need for second homes. While household growth in both Spain and France is below 1.0 per cent, their demand levels have been augmented slightly by the second-home market. In Spain, 16 per cent of the existing stock of dwellings serves as second homes, and in France the proportion is 10 per cent. In Canada, second homes constitute only six per cent of total stock; in the U.S., it is five per cent.

Canada: Above-average quality, uncrowded housing

Differences in the way data is collected and in perceptions of quality across countries make international comparisons difficult. However, a few broadly accepted quantifiable measures like space, crowding and basic plumbing facilities indicate that Canadians have above-average housing quality. The high expectations that Canadians have developed may be another factor behind Canada's large housing construction sector.

Canadians have the least crowded housing based on the average number of persons per room, estimated at 0.44. This is slightly less crowded than the U.S. (0.47), and considerably less crowded than Japan (0.62) and France (0.64).

Also, average home size is only slightly smaller in Canada than in the U.S., which has the largest homes among industrial countries. Dwelling sizes average about 122 m^2 in Canada and 125 m^2 in the U.S. At 162 m^2, the U.S. had a commanding lead in the average size of single-family homes, with Canada second at 139 m^2 (see table). On the other hand, Canadians appear to have larger multiple units — they averaged 102 m^2, well above 79 m^2 in the U.S.

Average dwelling sizes are about 95 m^2 in the Netherlands, Japan, Spain and Germany, and slightly smaller in France and the U.K., where housing tends to be older.

continued on next page

A Comparison of Housing Quality Indicators — 1992

	Canada	USA	Australia	Japan	Netherlands	France	UK
Avg. dwelling size (all) in m^2	122	125	N/A	93	97	85	83
Avg. dwelling size (single family) in m^2	139	162	N/A	100	107	98	85
Avg. dwelling size (multi-family) in m^2	102	79	N/A	79	74	70	75
Median age of dwellings	29	27	N/A	17*	22	35	40
Persons per room	0.44	0.47	N/A	0.62	0.55	0.64	0.54
% Occupancy	93	89	91	89	97	82	95
% Owned	62	65	67	60	57	54	66
% Single-family	68	66	84	65	69	56	77
% With running water	98.5	98.1	99.3	92.7	98.7	99.7	100
% With flush toilets	94	98.1	95.6	75.6	97.1	93.3	98.4
% With bath or shower	97.4	97.9	99	93.5	98.5	92.4	98.2

Source: Data compiled by the National Association of Home Builders (USA) Housing Economics, Dan Mercer, International Comparison of Housing Markets, December 1995

* *Revised from original table.*

Western Germany appears to have the highest percentage of homes with running water, flush toilets, and baths or showers. All the other countries surveyed appear to be on a par with each other, except for Spain and Japan, which are lower.

We own fewer homes — but we're catching up

While Canada has above-average housing quality, it has a lower percentage of owner-occupants than the U.S. and Australia. All three of these countries have a history of higher ownership rates than European countries.[1] What sets Canada apart from the U.S. and Australia is its younger population. This is important because younger adults are less likely to own homes, as many of them are still saving for down payments.

About 62 per cent of Canadians owned homes in 1992, in contrast to 65 per cent in the U.S. and 67 per cent in Australia. But home ownership rates in Canada have been rising. By 1996, the proportion of owned dwellings had jumped to 64 per cent, aided by two government programs that eased down payment burdens. One allowed renters to put as little as five per cent down on a house, and the second allowed first-time buyers to apply registered retirement funds toward a down payment.

Overall, Canadians have come a long way since 1981, when most adult baby boomers were still renters and only 56.6 per cent of Canadian householders were owners.

Canadians are the most mobile people in the world

Canadians, Americans and Australians are about twice as mobile as the Europeans and Japanese. About 18 per cent of Canadians moved during 1991, compared with 16.2 per cent of residents in the U.S. and about 9.5 per cent in the U.K., Japan and France.

Mobility is highest in Canada because of the relative youth of the country's population and the higher-than-average proportion of renters. Young renters are more mobile than older home-owners.

A more mobile population also bodes well for the housing industry because it generates more demand for housing services, such as real estate sales and property management.

Canadians get good value

This international comparison illustrates the importance of housing to Canadians. On the whole, residential construction is more important to our economy than to any other country in this study and we can boast national housing quality that is above average.■

June 1, 1997
marks the
10th anniversary
of CMHC's Market
Analysis Centre

Our Market Analysis staff would like to thank our valued subscribers for their business over the past ten years

1 However, it is interesting to note that the U.K. has a level of home ownership considerably higher than its European neighbours. This is because a number of units formerly in the public domain were sold off in a government lease-to-own scheme in the 1980s.

Flexible and adaptable housing design concept means new market opportunities for home builders

The use of the home is changing, rapidly, dramatically and profoundly. Typical of today's changes is the move to home-based employment, with its new demands on housing design.

But even households that use their homes exclusively as living spaces are looking at housing differently. Household size is shrinking. There are more single-parent households. Young, energetic two-income families living at a fast pace expect their housing to provide convenience and ease of operation. People with disabilities are looking for housing that won't restrict their lifestyle. Seniors and people in retirement are particularly receptive to housing that can adapt to changing household needs.

All these housing market segments are becoming significant. As early as 2017, about 50 per cent of Canadian households will be headed by a person over the age of 55.

An increasing number of builders are becoming aware of these changing demographics and lifestyles. They know that one quarter of all respondents told a Royal Bank survey that they would be more likely to purchase a home with flexible features, and that many home owners are anticipating the demands of having more than one generation in their homes. More than half of Canadians surveyed by CMHC verified these sentiments.

Responding to this interest, CMHC has developed the FlexHousing design concept, which can be adapted to a variety of present or future needs, and held a design competition to stimulate innovation in this area. The winning design, announced in April, included a number of unique features: more than one private entrance so that a dwelling can be divided; a common ground-floor hallway so that the unit can be converted into a duplex; movable walls to allow for complete interior re-design; a suspended t-bar ceiling with removable tiles for moving lighting fixtures and installing new wiring for "smart home" and security features; and open-joist flooring, so that new plumbing or wiring could be installed later at nominal cost.

Tom Parker, a project manager at CMHC's national office, explains that FlexHousing makes homes inherently and permanently flexible, so that they can meet specific and changing needs.

"FlexHousing features improve safety, accessibility, security, and convenience, giving it a broad appeal to a wide range of people," Parker says. "Builders and developers will recognize that the marketing edge provided by this adaptable product can help them sell to all segments of the population." ■

For more information about FlexHousing, contact CMHC's Canadian Housing Information Center at 1-800-668-2642.

The FlexHousing Advantage: Adapt Now, Save Money Later

Adaptability is not the only advantage of FlexHousing. It is easier on the pocketbook as well. During construction, its benefits cost the same as conventional designs, or only marginally more, and a home owner can save lots of money retrofitting later.

Here are some sample costs for similar renovations in conventional houses and in FlexHousing:

- ✓ INTEGRATED WIRING SYSTEM: A sophisticated wiring system, incorporating switches and plugs for a variety of complementary technologies, provides immediate access to electronic services in every room of the home. To wire the house in this way later would more than double the $1,500 expenditure at the time of construction.
- ✓ STAIR WIDENING: A stairway widened to 1.2 metres (20 cm more than the conventional width) allows for the introduction of a stairlift later and provides a low-cost way of achieving an open communication flow from the entry to the living level. The additional cost of widening the stair and providing blocking in the walls for the stairlift was approximately $60. To do the work later in a normal house would cost about $2,200.
- ✓ WIDE INTERIOR DOORWAYS: Interior doors of at least 865 mm wide allow for easy wheelchair access. The added cost is approximately $10 per door when the house is being constructed and almost $1000 per door afterward.
- ✓ ADJUSTABLE HEIGHT COUNTERS AND CABINETS: Modular counters and cabinets, which allow for easy height adjustment, cost about $300 more than conventional cabinets. Installing such a feature on a small portion of the counter in a conventional house would cost at least $1,800.■

Predicted housing strength for 1997 . . .

continued from page 5

and a stronger economy are invigorating consumer confidence and will propel sales of existing homes to a record high level (9,660 units).

Renewed consumer confidence will be key to continued market expansion in St. Catharines in 1997. This confidence is linked to affordable interest rates and good employment prospects in projects like the Niagara Falls casino.

MLS sales will decline in some centres in 1997, notably in Halifax (-11.8), Saint John (-8.9), Charlottetown (-8.6), Trois-Rivières (-6.2) and London (-5.5). The sales decline in most of these centres is a market correction that can be attributable to high activity in 1996.

In Halifax, 1996 was a banner year, as newly arrived young families increased sales volume in a market with excellent purchasing conditions. Fears about how the HST would increase the cost of existing homes boosted sales before the new tax was implemented at the beginning of April.

Out-migration as a result of the lack of job opportunities in Saint John will combine with the introduction of the HST to set the stage for fewer sales this year than last.

In Trois-Rivières, low interest rates and job creation will encourage home ownership in 1997 as they did last year. This situation will maintain momentum in the market, although the level of activity is expected to decline.

In Charlottetown, less favourable economic conditions will dampen consumer confidence and lead to a reduction in sales of existing homes of almost 9 per cent. Last year, resales exploded by more than 54 per cent.

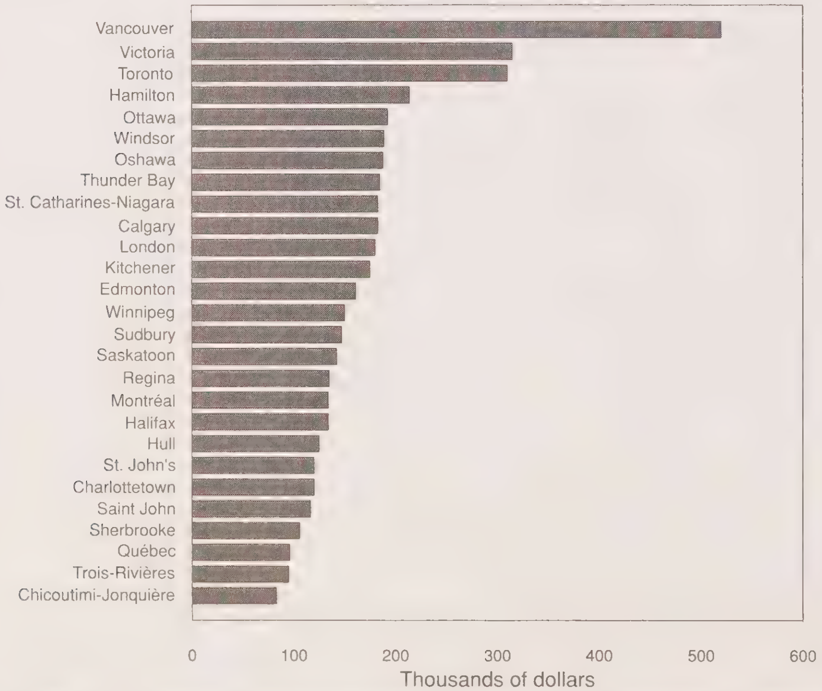
In London, resales in 1996 almost hit a record high, and ended up at the third highest level on record. A small drop of close to 6 per cent in 1997 will only be the result of demand showing some signs of fatigue.

Highlights of 1997 Forecast

Percentage Change in Annual Resales: 1996-1997

Top Five	%	Bottom Five	%
Kitchener	17.9	Halifax	-11.8
Hamilton	14.4	Saint John	-8.9
Edmonton	12.4	Charlottetown	-8.6
Ottawa	11.7	Trois-Rivières	-6.2
St. Catharines	9.9	London	-5.5

1997 Average New Single House Price



Source: CMHC forecast.

Centres in the West remain the most expensive

Vancouver will remain the most expensive market for new single detached homes, with an average price of $520,000. This price is more than six times the price of a new single detached home in Chicoutimi-Jonquière ($83,000).

Based on CMHC's most recent local forecast of the New House Price Index (NHPI), new house prices are forecast to increase in 1997 in twice as many centres as in 1996. The NHPI is forecast to increase in 16 of the 21 centres surveyed, compared with eight centres last year.

The NHPI increase will be the strongest in Calgary, with an increase of 10 per cent. This increase is far ahead of the second highest increase of 2.8 per cent forecast for Windsor. The increase in Calgary will be driven by positive migration and stronger job growth than anywhere else in the country.

Average resale home prices will rise more than one per cent in 17 major centres in 1997, a magnitude of gain experienced by only nine centres in 1996. Prices are expected to rise the most in Hamilton (6.8 per cent), Toronto (4.5 per cent), Calgary (5 per

continued on next page

continued from page 10 cent), Sherbrooke (3.8 per cent), and Windsor (3.2 per cent). Price increases will be the result of stronger demand and fewer listings; therefore, as employment opportunities improve, the market will tighten still more and consumers will gain the confidence required for house purchases. ■

DEFINITIONS:

LOCAL HOUSING MARKET INDICATORS
(pages 2 & 3)

Total Employment

The number of people employed in the CMA in all industries in a given year.

Total Housing Starts

Total number of starts for all housing types for the year.

Single Housing Starts

Total number of single housing units initiated during the year.

New House Price Index

A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price

The weighted average price of all units sold during the year.

Number of MLS Sales (residential)

Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price

Weighted average price of single family homes sold through MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate

Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

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**The national contributors are Greg Goy, Dan Guerrette, David Dallaire and Bruno Duhamel. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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ISSN 1188-4487 — Printed in Canada

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CANADIAN HOUSING
MARKETS
CMHC Market Analysis Centre
Third Quarter 1997

Record high affordability peaks in first half of 1997

Never before has the dream of owning a first home been so attainable for so many. For the second reporting period in a row, affordability has hit an all-time high, reaching 40.5 per cent in the first half of 1997. This is marginally higher than the 39.6 per cent attained in the previous half year. Twelve urban areas are at all-time high levels, compared to 14 in the second half of 1996.

While these records were stimulated by lower mortgage rates, reduced affordability was caused by higher prices in some centres. Higher mortgage rates, forecast to be in the 6.75-7.25 per cent range later in this year, will cause affordability to go down from its peak of 40.6 per cent in the first half of 1997 to 38.2 per cent in the second half of 1997. With affordability remaining very high, record numbers of first-time buyers will keep builders, realtors and lenders busy in 1997.

Victoria hits all time high

At the highest levels since CMHC started keeping records in 1970, affordability reached 32.1 per cent in Victoria in the first half of 1997. This is good news in the city with the second lowest affordability level in Canada. The other centres setting records were Edmonton, Calgary, Winnipeg, Ottawa, Hull, Montréal, Sherbrooke, Québec, Chicoutimi, Saint John and St. John's.

continued on page 3

The percentage of renters who can afford to buy a starter home — 1996-1997

(Ranked from highest to lowest based on total households January to June 1997)

CENSUS METROPOLITAN AREAS (CMA)	1st half 1996	2nd half 1996	1st half 1997		
	Total	Total	Total	Family	Non-Family
Chicoutimi	55.5	56.5	57.8	64.6	43.3
Saint John	51.2	54.1	54.4	56.1	50.7
Halifax	48.7	52.1	51.1	57.4	42.4
St. John's	47.7	50.5	51.0	50.6	51.5
Charlottetown	48.2	51.0	50.4	54.6	45.1
Québec	45.8	46.1	49.4	59.8	37.4
Hull	44.1	47.5	49.2	56.6	36.1
Trois-Rivières	47.1	49.8	49.1	57.1	38.0
Edmonton	45.4	47.8	48.9	54.9	41.1
Regina	46.5	49.0	48.0	50.8	44.7
Thunder Bay	44.2	47.0	47.5	52.6	39.6
Calgary	44.0	45.7	45.8	53.0	37.1
Oshawa	40.5	43.0	45.4	51.0	32.0
Montréal	40.4	43.0	45.1	54.7	32.7
Sudbury	40.8	43.4	44.4	50.8	33.1
Winnipeg	41.2	44.0	44.2	50.3	37.1
Sherbrooke	41.6	41.3	44.0	53.4	31.5
Saskatoon	44.0	45.3	43.8	48.5	38.5
St. Catharines	37.6	42.4	42.4	46.6	34.7
London	35.8	37.7	40.1	48.2	29.6
Ottawa	34.1	38.2	38.6	47.4	28.4
Kitchener	35.8	39.5	38.3	45.7	25.6
Windsor	34.6	38.4	37.6	42.4	30.6
Hamilton	31.6	34.9	34.0	41.0	23.0
Toronto	30.2	33.4	33.6	40.2	24.4
Victoria	25.5	29.8	32.1	42.8	19.6
Vancouver	26.7	28.4	29.1	38.3	19.3
Metropolitan Area	37.0	39.6	40.5	48.3	30.3

Source: *Canadian Housing Markets.*

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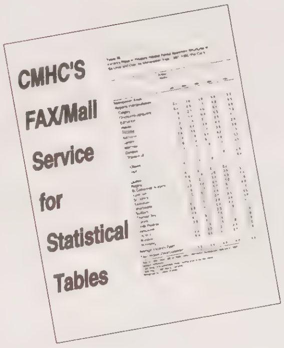

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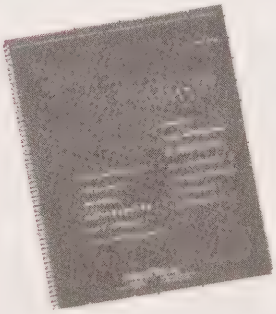

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Income growth key factor in some centres

Accelerating income growth in Edmonton, Calgary, Ottawa and Saint John overcame the drag of higher prices, especially in Calgary, where prices increased at a year-over-year clip of 11 per cent. Three positive factors helped income grow: strong economic activity, moderation in public and private sector restructuring, and the lifting of wage freezes. Lower or flat house price growth helped affordability in Victoria, Hull, Montréal and St. John's. All 12 centres that set new affordability records will have expanded first-time buyer activity in 1997.

Some cities lose record affordability status

Four centres lost the record-breaking status attained in the previous half-year: Regina, Trois-Rivières, Halifax and Charlottetown. Higher prices were responsible in the first three cases. Decreasing incomes knocked Charlottetown out, largely because of the completion of the Confederation Bridge and lower potato prices. Nevertheless, by historical standards, affordability is still high in these centres, and industry participants will be busy.

Renters expected to invade market in the three biggest centres

Fully 29.1 per cent of Vancouver starter homes were affordable, a performance that neared the all-time high of 32.1 per cent reached in 1986. This record is expected to remain because two forces will work to reduce affordability in 1997: higher prices and slower income growth. In Toronto, price increases will keep a damper on affordability. High affordability in these cities will lead many renters to enter the home ownership market this year.

First-time buyer activity increases at slower pace in '97

Improved affordability during the first half of 1997 was reflected in larger First Home Loan Insurance volumes. The new record of 76,946 is up 10 per cent from the activity of the first half of 1996. The annual total of 138,480 existing and new homes nsured under FHLI is up 42 per cent from 1995. ■

DEFINITIONS:

Demand Affordability Indicators

Percentage of Renters Who Can Afford — Represents renter households in the prime home buying age group of 20 to 44 years who have an income at least equal to the amount required to purchase an average starter home. Includes all family and non-family households in the 20 to 44 age group, in addition to renter households who qualify for NHA social housing programs.

Average Starter House Price — The average price for an NHA-insured home. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. So that NHA starter home prices are representative of first-time buyers at all time periods, the data are analysed to control for distribution changes that would otherwise skew the average. NHA-insured homes are typically bought by young first-time buyers with a down payment of less than 25 per cent. The price is the average for each six-month period. This price excludes homes insured under the First Home Loan Insurance program.

Monthly Mortgage Cost — The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent down payment. The mortgage balance includes the required mortgage insurance premium.

Property Taxes — Average property taxes for a dwelling occupied by its owner. Data are CMHC estimates.

Heating Costs — Average costs for a starter home. Data are CMHC estimates.

Total Monthly Carrying Costs — Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs — The income required to cover the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage — A three-year-term closed mortgage with 25-year amortization period. An average mortgage rate of 7.8 per cent was used for the first half of 1996 and a rate of 6.7 per cent was used for the first half of 1997.

Supply Indicators

Categories of Affordable House Prices — *Max. Affordable* is based on average income of household type total which includes all households, family and non-family, but not low-income renters eligible for NHA social housing programs. *Regular (10%)* is identical to the Average Starter House Price in the definitions of the demand affordability indicator. *FHLI (5%)* is the average price for an NHA-insured home under the First Home Loan Insurance program. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. FHLI homes are available only to first-time buyers with a minimum 5 per cent down payment. The price is the average for each six-month period.

Range of Affordable House Prices — *Max. Affordable* is the maximum price a household could afford given its income and assuming a 32 per cent gross debt service ratio to cover the mortgage payment, property taxes and heating costs. It is based on a three year mortgage rate of **6.7** per cent and a 10 per cent down payment. Both Regular (10%) and FHLI (5%) are average prices of homes insured with these products.

Resale Supply Available — Percentage of MLS active listings at or below the range of affordable house prices. The sources are local Real Estate Boards.

Most Prevalent House Types — The house types most often listed in the supply of active MLS listings. The sources are local Real Estate Boards.

Affordable New Construction — Percentage of new single, semi, apartment or row dwellings sold at or below the range of affordable house prices.

Supply Affordable to Potential First-Time Buyers

CENSUS METROPOLITAN AREAS (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1997 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Max. affordable	56,612	212,954	49.3	Newer† Townhouse, Older‡ Bungalow	30.8
	Regular (10%)		172,965	30.5	Older Townhouse, New Condo Apt.	18.0
	FHLI (5%)		165,884	26.6	Condo Apartment	15.5
Vancouver	Max. affordable	64,012	252,248	43.9	Newer Townhouse	51.7
	Regular (10%)		205,864	36.5	Older Townhouse, New Condo Apt.	36.8
	FHLI (5%)		167,317	23.1	Newer Apt. Condo	23.2
Edmonton	Max. affordable	49,044	172,341	86.6	2-Storey, Luxury Condo	79.9
	Regular (10%)		113,376	59.4	Small Bungalow, Split-Level, Bi-Level	20.8
	FHLI (5%)		94,151	44.6	Condo, Duplex	8.6
Calgary	Max. affordable	53,075	194,731	75.7	New 2-Storey, New Split-Level+	79.6
	Regular (10%)		135,914	49.5	New Row Condo, Existing Bungalow	31.9
	FHLI (5%)		110,303	31.4	New 2-Storey, Apartment Condo	11.1
Saskatoon	Max. affordable	51,869	172,107	85.6	Bungalow	85.7
	Regular (10%)		97,721	46.3	Bungalow	24.6
	FHLI (5%)		79,136	30.3	Bungalow	2.3
Regina	Max. affordable	54,065	163,891	87.4	2-Storey	87.9
	Regular (10%)		86,319	57.8	Bungalow, Bi-Level	4.3
	FHLI (5%)		68,624	39.2	Bungalow, Bi-Level	0.0
Winnipeg	Max. affordable	45,119	129,074	81.1	Bungalow	34.2
	Regular (10%)		86,358	61.0	Bungalow	7.4
	FHLI (5%)		67,373	44.9	Bungalow, Bi-Level	0.7
Thunder Bay	Max. affordable	52,197	177,850	84.1	All Types	39.6
	Regular (10%)		117,275	58.7	Bungalow, Row & Apt. Condo, 1½-Storey	4.4
	FHLI (5%)		93,839	35.2	Bungalow, 1½-Storey, Row Condo, Semi	1.1
Sudbury	Max. affordable	50,542	171,191	84.3	2-Storey	84.3
	Regular (10%)		116,000	57.7	Bungalow	27.8
	FHLI (5%)		94,965	40.2	Bungalow	0.0
Windsor	Max. affordable	48,353	164,468	65.7	Bungalow, 1½-Storey	71.4
	Regular (10%)		124,505	42.9	Bungalow, 1½-Storey	38.2
	FHLI (5%)		101,803	26.9	Bungalow, 1½-Storey	8.2
London	Max. affordable	47,698	164,154	73.4	Bungalow, Row Condo	66.6
	Regular (10%)		125,185	48.6	Bungalow, Row Condo	29.2
	FHLI (5%)		102,544	29.9	Row Condo, Bungalow	6.4
Kitchener	Max. affordable	48,988	165,652	69.4	Split-Level, Modest 2-Storey	84.3
	Regular (10%)		142,041	52.6	Bungalow, Semi, Row/Apt. Condo	65.5
	FHLI (5%)		113,385	25.3	Modest 1½-Stry, Semi, Row/Apt. Condo	17.6
St. Catharines-Niagara	Max. affordable	45,878	150,316	77.7	Split-Level, Modest 2-Storey	74.4
	Regular (10%)		113,990	61.3	Bungalow, Row & Apt. Condo	21.1
	FHLI (5%)		92,852	35.5	Modest Bungalow, Apartment Condo	1.2
Hamilton	Max. affordable	49,316	170,057	65.9	All Types	67.6
	Regular (10%)		151,440	55.9	2-Storey, Bungalow	57.9
	FHLI (5%)		118,384	33.6	1½-Storey, Semi	0.6

Supply Affordable to Potential First-Time Buyers (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1997 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Max. affordable	60,873	211,885	61.8***	Single	74.1
	Regular (10%)		182,072	47.7***	Single/Semi	57.7
	FHLI (5%)		156,522	32.0***	Semi/Row	28.7
Oshawa	Max. affordable	56,710	195,079	N/A	N/A	86.7
	Regular (10%)		147,910	N/A	N/A	44.2
	FHLI (5%)		122,871	N/A	N/A	22.8
Ottawa	Max. affordable	54,364	172,820	69.9	Bungalow, 2-Storey	89.9
	Regular (10%)		140,398	52.7	Bungalow, Row House	65.9
	FHLI (5%)		116,865	32.4	Row House	3.7
Hull	Max. affordable	45,486	137,264	67.5	Semi	83.0
	Regular (10%)		96,773	43.2	Semi	37.5
	FHLI (5%)		79,045	26.2	Semi	13.0
Montréal	Max. affordable	46,580	142,465	67.8	All Types	76.3
	Regular (10%)		100,000	37.4	All Types	41.5
	FHLI (5%)		84,500	19.1	Bungalow, Condo	10.1
Trois-Rivières	Max. affordable	39,941	113,038	N/A	N/A	93.3
	Regular (10%)		73,069	N/A	N/A	49.6
	FHLI (5%)		64,092	N/A	N/A	29.6
Sherbrooke	Max. affordable	39,417	117,031	67.4	All Types	83.3
	Regular (10%)		81,495	30.3	Older Bungalow	58.3
	FHLI (5%)		70,484	17.0	Older Bungalow	45.8
Québec	Max. affordable	43,264	123,526	71.9	All Types	74.3
	Regular (10%)		83,520	33.6	All Types	15.6
	FHLI (5%)		72,156	19.7	All Types except 2-Storey	5.1
Chicoutimi-Jonquière	Max. affordable	42,691	117,771	93.1***	Bungalow	93.6
	Regular (10%)		69,292	41.2***	Bungalow	30.9
	FHLI (5%)		61,707	25.2***	Bungalow	21.3
Saint John	Max. affordable	44,747	140,143	85.3	Bungalow	84.3
	Regular (10%)		81,086	43.5	Bungalow	17.4
	FHLI (5%)		70,516	31.0	Bungalow	2.6
Halifax	Max. affordable	49,055	164,389	87.1	Split-Entry	91.4
	Regular (10%)		110,293	50.9	Split-Entry	48.5
	FHLI (5%)		86,347	22.0	Semi	9.3
St. John's	Max. affordable	48,034	155,854	87.9	All Types	91.6
	Regular (10%)		90,992	42.7	Bungalow	26.2
	FHLI (5%)		82,114	31.9	Bungalow, Semi-Detached	5.1
Charlottetown	Max. affordable	41,211	126,285	63.4	All Types	70.8
	Regular (10%)		79,000	19.8	Bungalow	13.8
	FHLI (5%)		64,000	4.0	Bungalow	0.0
Metropolitan Area Total	Max. affordable			67.7		73.8
	Regular (10%)			43.8		48.6
	FHLI (5%)			26.8		17.9

* See definitions section for explanation.
** Percentage of new dwellings sold at or below the range of affordable house prices.
† Newer is five years old or less.
‡ Older is ten years old or more.
*** Calculated using sales instead of active listings.
N/A is data not available from the local real estate board.
SOURCE: *Canadian Housing Markets.*

Supply affordability at record high in many centres

New high reached in percentage of affordable new homes

At 73.8 per cent, supply of new housing that is affordable was at its highest level since 1991. The 17 centres hitting new highs were Vancouver, Edmonton, Calgary, Regina, Sudbury, London, Windsor, Kitchener, St. Catharines, Hamilton, Toronto, Oshawa, Ottawa, Hull, Sherbrooke, Halifax and Charlottetown.

Edmonton and Calgary outdid all previous highs, even though new home prices were rising. New supply affordability was boosted by income growth of 4 per cent over last year. All these broken records mean that builders have an expanded client base in 1997.

Top five affordable new supply markets located east of Ottawa

Chicoutimi, Trois-Rivières, St. John's, Halifax and Ottawa were at the top of the affordable new supply list. Affordability in Halifax was the result of income growth, and stable average unit selling prices in the past two years have stimulated new supply affordability in the other four cities. Renters in these markets have excellent choices for new housing.

Top five most affordable markets for new homes

Per cent of new construction affordable

Chicoutimi	93.6
Trois-Rivières	93.3
St. John's	91.6
Halifax	91.4
Ottawa	89.9

Source: CMHC.

Realtors have expanded client base in '97

The centres reaching new highs in resale affordability were Victoria, Vancouver, Edmonton, Thunder Bay, London, Kitchener, St. Catharines, Hamilton, Ottawa, Chicoutimi, Saint John and Halifax. Flat or decreasing resale house prices helped affordability in Victoria and Vancouver. The plentiful supply of affordable resale homes has brought existing houses within the reach of many renters' budgets.

Top five most affordable resale markets

Per cent of listings affordable

Chicoutimi	93.1
St. John's	87.9
Regina	87.4
Halifax	87.1
Edmonton	86.6

Source: CMHC.

Edmonton and Regina make top five affordable resale supply markets

The five most affordable resale supply markets during the first half of this year were Chicoutimi, St. John's, Regina, Halifax and Edmonton. Weak prices helped affordability in Chicoutimi and St. John's, and strong incomes gave Regina and Edmonton affordability buoyancy. Slowly increasing prices and incomes combined to drive affordability up in Halifax.

Centres with the greatest first-time buyer opportunities

How could builders and realtors know if opportunities exist in the affordability segment of their market? They could check to see if the market has potential for more supply of lower-priced products.

We use three categories to represent these price ranges:

- Maximum Affordable Price
- Regular (10%)
- First Home Loan Insurance (FHLI) (5%)

To find the greatest opportunities for more new construction and resale supply, builders and realtors can look at the table Supply Affordable to Potential First-Time Buyers (page 4 & 5). Focus on centres with less than 20 per cent of supply affordable in either regular or FHLI categories.

continued on page 8

OPPORTUNITIES DEFINED

First category: The Maximum Affordable Price uses current mortgage rates, CMA renter income for all household types, and other data (see Definitions section) to give the upper limit of affordability. It shows the highest price that can be paid by an average potential first time buyer.

Second category: The Regular (10%) price is well below the maximum affordable house price. It is the average starter house price used in the CMHC's demand indicator. This average is derived from the prices of homes insured under CMHC's regular 10 per cent down payment program. Although this figure is always higher than the FHLI (5%) price, it gives a reference point near the lower end of affordable housing.

Third category: The FHLI (5%) price, also market driven, is calculated from FHLI volumes and represents the lower limit of affordable housing.

Employment growth positive sign for housing

Employment patterns are a significant indicator of housing market activity. To track the vitality of housing markets in all major urban centres, Canadian Housing Markets (CHM) regularly monitors this indicator. The most recent figures show greater job growth in 1997 than 1996. This will reinforce consumer confidence and keep housing strength on track.

Current nationwide employment figures support the forecast that housing activity will continue its upward trend in the next year. During the first six months of 1997, there was accelerated employment growth in 16 of the 27 major urban centres in Canada, with a total of close to 147,700 more jobs added across all centres. This is up from a 127,800 increase in the first half of 1996 (see table).

The most sizable increases in the first half of 1997 were in Toronto (74,617 new jobs), Calgary (16,767), Montréal (15,183), Ottawa (14,033) and Edmonton (12,950). The increases in Toronto, Montréal and Edmonton helped make up for employment losses incurred during the recession. In Calgary, job growth reflects continued strength in the economy, while Ottawa is riding the wave of a growing local economy bolstered by private sector growth.

In Calgary, 1997 will mark the fourth consecutive year of impressive employment growth. The sectors showing the greatest gains are business services, manufacturing, transportation, communication and other utilities.

Toronto's employment finally surpassed pre-recession levels in December 1996. This came about with the second wave of very strong job growth since the end of the recession. This latest wave started in 1996 and is still going strong in 1997.

continued on page 8

Annual increase in employment growth, by major urban centre

(change from the previous year)

	first half 96[1]	second half 96[1]	first half 97[1]	June 97[2]	June 96-97 % growth[3]
Victoria	-820	3,060	5,170	6,800	4.65
Vancouver	22,690	19,870	9,620	700	0.07
Edmonton	920	1,720	12,950	28,700	6.35
Calgary	19,100	23,060	16,770	4,700	1.03
Saskatoon	350	3,600	1,670	2,500	2.29
Regina	2,740	1,420	-1,200	1,200	1.17
Winnipeg	4,240	180	7,900	9,200	2.66
Thunder Bay	-1,810	-2,380	1,000	2,200	3.58
Sudbury	1,230	1,220	-270	-600	-0.76
Windsor	4,300	9,470	470	-3,600	-2.66
London	-4,590	-4,120	5,750	12,000	5.9
Kitchener	-1,300	-1,500	-3,280	500	0.24
St. Catharines-Niagara	800	10,300	920	-2,200	-1.31
Hamilton	1,260	-5,540	-3,530	7,200	2.35
Toronto	33,040	34,270	74,620	101,800	4.76
Oshawa	-1,430	3,920	5,630	6,500	5
Ottawa	-5,720	24,830	14,030	9,000	2.3
Hull	-1,320	4,900	-3,650	-5,100	-3.8
Montréal	31,000	-3,710	15,180	37,800	2.41
Trois-Rivières	650	-720	-1,470	-5,400	-8.13
Sherbrooke	3,650	-990	-1,020	-200	-0.3
Québec	17,500	2,520	-10,230	-16,700	-4.97
Chicoutimi-Jonquière	1,760	2,840	700	600	0.92
Saint John	-1,300	-4,070	-1,250	600	1.04
Halifax	2,100	3,040	2,480	2,100	1.26
St. John's	-2,350	-3,730	-1,220	500	0.64
Charlottetown	1,100	170	-70	-200	-1.11
All Major Urban Centres	127,770	123,620	147,670		

1 Monthly employment levels (three-month moving averages provided by Statistics Canada) were averaged for this half year period and the corresponding period of the previous year. Figures in these three columns represent the difference between the two periods.

2 Figures represent the difference between June employment levels (three-month moving averages) in 1997 and 1996.

3 Figures represent percentage change between June 1997 and June 1996 employment levels (three-month moving agerages).

Source: Statistics Canada, Labor Force Survey.

Employment growth . . .

(continued from page 7)

Number three in growth in the first half of 1997 was Montréal, where a high level of job creation is taking place in spite of continued economic restructuring. The largest increase in jobs is in manufacturing, services and trades.

Employment in Ottawa will reach unprecedented levels in 1997, with particular strength in the manufacturing sector and high-tech industries. As housing activity stimulates employment, the construction and real estate sectors will also benefit.

With the start of several important projects in 1997, the labour market is also strong in Edmonton, following a stagnant performance in 1996. Job growth is concentrated in construction and trades, engineering, oil and gas equipment manufacturing, transportation, and services.■

(continued from page 6)

Builder Opportunities

The centres with less than 20 per cent of new construction at the regular (10%) prices are Victoria, Edmonton, Regina, Winnipeg, Thunder Bay, Québec, Saint John and Charlottetown. These centres, plus Sudbury, Windsor, London, Kitchener, Hamilton, Ottawa, Hull, Montréal, Halifax and St. John's, had opportunities in the FHLI category. Supplying this niche has great potential; however, builders will have to be innovative in centres with high land costs, such as Victoria.

Realtor Opportunities

All resale markets except Charlottetown have a relatively adequate supply (above 20 per cent) of houses in the regular (10%) category. In contrast, opportunities exist in Montréal, Sherbrooke, Québec and Charlottetown, where there were less than 20 per cent of FHLI homes for sale. Listings priced close to the average in these categories should sell fast.■

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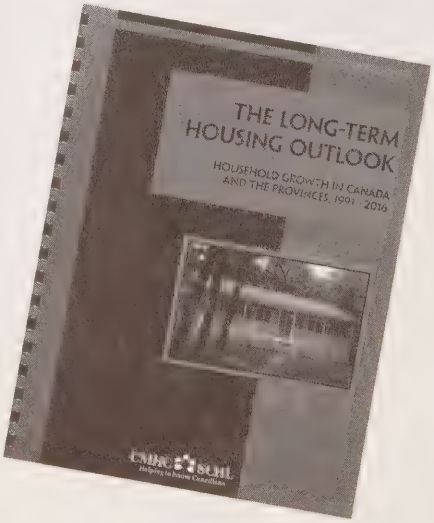

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Resales surge as home ownership becomes more attractive

Home buying increased in most Canadian cities in 1997 largely because ownership has become more attractive than renting, a trend that has prevailed through most of the 1990s. This case study reviews the Toronto market, where the decreasing gap between ownership and rental costs has also contributed to record resale levels in 1996 and 1997.

Improved job security, consumer confidence and affordability have all contributed to the increase in home buying in 1997.

An equally important factor: home ownership has become more attractive to rental housing. Stable prices and lower mortgage rates since 1991 have steadily shrunk the cost gap between rental and ownership housing.

With ownership more attractive, people are less likely to put off purchasing their first home and remain in rental housing.

Toronto Case Study

CMHC analysts have examined the ownership market in Toronto to explore the trade-off between owning and renting.

Since the 1980s, the public perception of housing in Toronto has changed significantly. Between 1985 and 1990, home prices rose significantly and homes came to be viewed as an investment. When the decade ended, prices began a long decline, which lasted until this year.

Now housing is viewed mainly as a consumer item, and its attractiveness is measured in terms of what it has to offer and its cost relative to substitutes, notably rental housing. Ownership generally becomes more attractive in the short term as the gap between rental and ownership costs decreases.

Throughout the 1990s, resale patterns in Toronto have responded to changes in the gap between ownership and rental costs. As the cost gap between owning and renting a home declined in 1996 and 1997, resale volumes have broken all records (see graph).

Ownership attractiveness measured

The average resale price fell over $75,000 between 1989 and 1996. In addition, the mortgage rate on a five year term fell from 12.5 per cent at the beginning of 1991 to 6.95 per cent by the end of 1996.

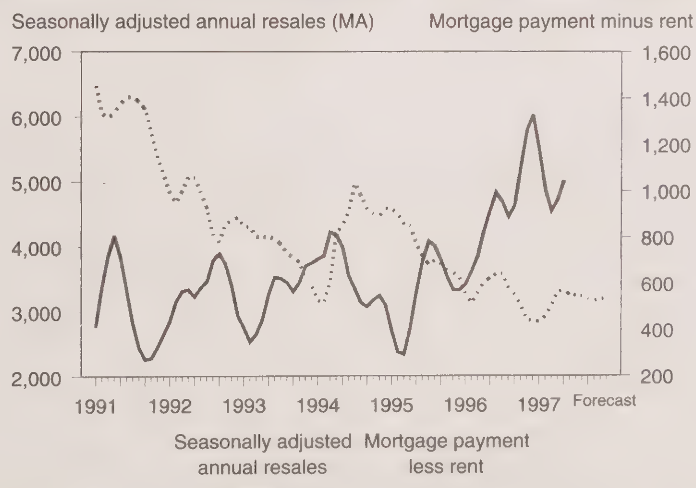
Although home ownership became more affordable in this period, the cost of renting did not. As Toronto home prices went through the roof in the late 1980s, rent controls kept a lid on rent increases. The average rent on a two-bedroom apartment in the Toronto CMA rose from an average of $730 in 1991 to $819 in 1996. Thus, there was less of a need for a price adjustment in the rental market than in the ownership market.

The cost gap between renting the average two-bedroom apartment and owning the average starter home fell from $1859 to $551 between 1990 and 1997. It must be emphasized that this is only a short-term monthly cost gap measured by the difference in monthly payments during the first year of ownership.

Attractive home ownership market driving up sales

In the short run, the Toronto resale market tends to respond to these changes in the cost differential with a lag of about one to three months. Even those buyers who act immediately must look continued on page 10

Resales jump 1 to 3 months after home ownership costs decrease



***NOTE:** MA denotes a three month moving average of seasonally adjusted annual resales. Mortgage payment minus rent was calculated using estimated monthly ownership costs assuming the current average house price. The average house price was based on a three-month average of sale prices reported by the Toronto Real Estate Board. Other assumptions include a 10% downpayment, NHA insurance, and a three-month average of the mortgage rate on a five-year term interest rate. The rental component was based on the average rent for a two-bedroom apartment in Toronto CMA based on the latest year's CMHC rental survey. The value indicated is the monthly P&I charge less the latest average rent.*

Resales surge . . .

(continued from page 9)

for a suitable home, obtain a mortgage and negotiate the deal. Some potential buyers remain on the sidelines until they perceive a bottoming out, and others never buy because home ownership does not meet their personal needs. Whenever the cost differential between owning and renting falls, the number of potential buyers rises. The strength of the ensuing buying activity depends on the level, past history and size of the change. During 1996 and 1997, with this differential at its lowest point in a decade, the number of resales jumped to record levels.

What happens when mortgage rates skyrocket

Preapproved mortgages allow buyers to obtain a set mortgage rate that is guaranteed for 60 or 90 days. Therefore, sales activity will actually be spurred briefly by increases in mortgage rates as preapproved buyers take advantage of low rates before their contract expires.

Outlook for 1997 and beyond

Cost differential is a good indicator of future resale levels, and currently suggests higher resales for the rest of 1997. If resale volumes rise to about 58,000 in 1997, as expected, they will break records for a second consecutive year.

While 1997 has resulted in a further reduction in the cost gap, mortgage rates are expected to level out at their current levels and further price declines are not likely in future years.

Now that ownership housing has reached what may be its most attractive level, more increases in the number of resales may require further improvements in consumer confidence or increases in local employment and incomes.■

This article was written by Brent Weimer, Market Analyst at CMHC's Toronto Office. For more information contact Brent at (416) 789-8711.

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Costs and Incomes for Demand Affordability Indicator

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL PROPERTY TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JAN.-JUN. 1996	JAN.-JUN. 1997	JAN.-JUN. 1996	JAN.-JUN. 1997	JAN.-JUN. 1996	JAN.-JUN. 1997	JAN.-JUN. 1996	JAN.-JUN. 1997	JAN.-JUN. 1996	JAN.-JUN. 1997	JAN.-JUN. 1996	JAN.-JUN. 1997
Victoria	174,548	172,965	1,208	1,085	1,635	1,639	619	639	1,396	1,275	52,362	47,817
Vancouver	194,212	205,864	1,334	1,292	1,590	1,597	451	475	1,504	1,464	56,389	54,914
Edmonton	106,756	113,376	739	711	1,316	1,310	643	720	902	881	33,839	33,020
Calgary	122,470	135,914	848	853	1,315	1,348	561	611	1,004	1,016	37,658	38,102
Saskatoon	85,695	97,721	593	613	1,625	1,651	630	640	781	804	29,296	30,153
Regina	79,601	86,319	551	542	2,107	2,190	611	621	778	776	29,160	29,096
Winnipeg	82,920	86,358	574	542	2,418	2,489	795	846	842	820	31,568	30,744
Thunder Bay	110,637	117,275	766	736	1,372	1,372	971	996	961	933	36,046	34,993
Sudbury	112,733	116,000	780	728	1,572	1,632	858	880	983	937	36,865	35,146
Windsor	118,536	124,505	821	781	1,760	1,785	685	735	1,024	991	38,414	37,172
London	121,539	125,185	841	785	1,723	1,819	685	735	1,042	998	39,078	37,438
Kitchener	132,091	142,041	915	891	2,171	2,232	685	735	1,152	1,138	43,218	42,693
St. Catharines-Niagara	110,189	113,990	763	715	1,997	1,945	645	676	983	934	36,864	35,013
Hamilton	140,658	151,440	974	950	2,119	2,159	685	735	1,207	1,191	45,280	44,679
Toronto	171,766	182,072	1,189	1,142	2,805	2,838	645	676	1,477	1,435	55,375	53,821
Oshawa	143,185	147,910	991	928	2,374	2,393	645	676	1,243	1,184	46,608	44,394
Ottawa	134,668	140,398	932	881	2,968	2,973	701	735	1,238	1,190	46,431	44,622
Hull	97,750	96,773	677	607	1,934	1,976	1,275	1,302	944	880	35,406	33,014
Montréal	100,000	100,000	692	627	1,951	1,951	1,244	1,290	959	898	35,945	33,657
Trois-Rivières	69,000	73,069	478	458	1,415	1,417	1,325	1,353	706	689	26,474	25,851
Sherbrooke	78,323	81,495	542	511	1,596	1,602	1,355	1,384	788	760	29,554	28,508
Québec	81,690	83,520	566	524	2,051	2,103	1,355	1,384	849	815	31,852	30,548
Chicoutimi-Jonquière	67,274	69,292	466	435	1,594	1,621	1,406	1,436	716	690	26,839	25,857
Saint John	77,807	81,086	539	509	1,194	1,202	1,063	1,150	727	705	27,255	26,429
Halifax	102,687	110,293	711	692	1,330	1,320	972	1,069	903	891	33,853	33,417
St. John's	89,647	90,992	621	571	1,108	1,137	1,205	1,298	813	774	30,502	29,020
Charlottetown	78,499	79,000	543	496	1,430	1,434	1,038	1,131	749	709	28,090	26,603

Source: *Canadian Housing Markets.*

Note that property taxes do not include rebates that are available in some provinces.

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Single issue $11 + GST Catalogue No. CHMSE-03/97

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Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens* Numéro de catalogue CHMSF

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MARKETS
CMHC Market Analysis Centre
Fourth Quarter 1997

Local housing market cycle — third year of expansion coming

CMHC is forecasting that local housing markets will continue to increase next year, but at a lower rate than in 1997. Overall, housing activity for all major centres will grow in 1998 for the third year in a row. Total starts in all major urban centres combined will increase almost 8 per cent and resales will increase by 1.4 per cent.

With many major centres expected to surpass the housing gains of 1997, builders, realtors, lenders and suppliers should enjoy another good year. A major factor will be continued strength in consumer confidence, as interest rates remain at affordable levels and employment continues to improve.

Total housing starts will grow by almost 8 per cent in 1998, with numbers up in 20 of the 27 major urban centres. Resales will increase by slightly more than 1 per cent and maintain the gains of more than 6 per cent reached in 1997. Overall, about half (13) of the major centres will have higher resales in 1998.

The strength of resales since mid 1995 has had positive effects on the new housing market. The enthusiasm of repeat buyers has resulted in a reduction of existing homes for sale in some centres.

Many analysts have predicted that the single housing market would be the main beneficiary of repeat buyer activity in 1998. It now appears that repeat buyers will also **increase multiple starts** more than single starts.

In general, housing activity is closely linked with **home buying intentions**. A recent survey found that these are strongest in Alberta centres, followed closely by the other centres in the Prairies. The lowest level of intention to buy in the next year is in the Atlantic provinces.

As indicated in CHM, third quarter 1997, **employment gains** will continue to stimulate the housing market. Gains are expected in 25 of Canada's major markets, with an average increase of 2.2 per cent. Some price appreciation can also be expected, as better employment prospects strengthen consumer confidence in housing.

continued on page 4

FORECAST HIGHLIGHTS

- ***On top of an increase of close to 23 per cent in 1997, total starts will be up by almost 8 per cent in 1998.***
- ***Multiple starts will increase almost 10 per cent in 1998, led by higher levels of semis, rows and condominiums.***
- ***Single housing starts will increase more than 6 per cent after keeping builders busy in 1997 with an increase of 25 per cent.***
- ***Centres in central and western Canada will remain buoyant in 1998, as markets experience further growth in housing activity. This will be especially the case for medium-to-low priced homes in specific local markets.***
- ***Housing starts in Calgary will reach a level equivalent to 75 per cent of Vancouver's starts, with 13,000 units forecast for 1998.***
- ***Sales of existing homes will increase by more than 1 per cent in 1998, compounding the record highs attained in many centres in 1997. Calgary, Ottawa and Saint John will set new records in 1998.***
- ***Employment next year will be up in 25 of the 27 major centres in Canada and down in only one centre, for an average increase of 2.2 per cent.***

Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Victoria	1996	145,200		1,142		-7.1	586		319,000		5,388		231,145		4.1
	1997**	149,800	3.2	1,295	13.4	-2.1	660	12.6	317,000	-0.6	5,380	-0.1	236,000	2.1	3.5
	1998**	154,100	2.9	1,395	7.7	1.2	705	6.8	318,000	0.3	5,520	2.6	239,000	1.3	3.2
Vancouver	1996	925,000		15,453		-6.0	5,072		509,323		27,484		387,891		1.1
	1997**	943,500	2.0	16,600	7.4	-1.0	5,600	10.4	505,000	-0.8	28,200	2.6	377,000	-2.8	1.7
	1998**	963,300	2.1	17,450	5.1	-1.0	5,850	4.5	502,000	-0.6	28,965	2.8	379,000	0.5	1.8
Edmonton	1996	454,400		3,634		2.1	2,944		157,069		11,566		118,204		7.6
	1997**	474,400	4.4	4,900	34.8	1.5	3,700	25.7	158,500	0.9	13,000	12.4	122,900	4.0	4.6
	1998**	492,400	3.8	6,000	22.4	4.0	4,400	18.9	163,500	3.2	12,900	-0.8	126,000	2.5	3.5
Calgary	1996	448,000		7,111		1.0	5,862		175,901		17,766		134,484		1.5
	1997**	465,000	3.8	10,400	46.3	6.5	8,200	39.9	177,000	0.6	22,000	23.8	143,000	6.3	0.5
	1998**	482,000	3.7	13,000	25.0	7.0	10,000	22.0	186,000	5.1	23,000	4.5	155,000	8.4	0.3
Saskatoon	1996	108,330		1,208		1.8	635		138,107		3,359		88,132†		0.7
	1997**	109,800	1.4	1,140	-5.6	1.4	640	0.8	146,735	6.2	3,217	-4.2	99,000†	12.3	0.9
	1998**	110,898	1.0	1,100	-3.5	1.3	600	-6.3	143,683	-2.1	3,282	2.0	106,700†	7.8	0.5
Regina	1996	101,000		434		1.6	362		138,616		3,099		76,781†		1.9
	1997**	102,000	1.0	575	32.5	3.8	375	3.6	132,469	-4.4	2,950	-4.8	81,000†	5.5	1.5
	1998**	103,000	1.0	625	8.7	3.6	400	6.7	133,173	0.5	2,800	-5.1	83,500†	3.1	2.0
Winnipeg	1996	345,500		1,135		0.9	838		145,455		9,828		86,996		6.0
	1997**	352,000	1.9	1,425	25.6	1.2	1,100	31.3	147,500	1.4	10,320	5.0	88,000	1.2	5.9
	1998**	358,000	1.7	1,550	8.8	1.0	1,200	9.1	149,000	1.0	10,300	-0.2	89,000	1.1	5.4
Thunder Bay	1996	61,800		296		-0.3	162		183,740		1,458		112,723		5.6
	1997**	62,800	1.6	278	-6.1	0.4	190	17.3	180,000	-2.0	1,500	2.9	114,414	1.5	7.7
	1998**	63,900	1.8	334	20.1	0.4	220	15.8	180,000	0.0	1,538	2.5	117,274	2.5	5.6
Sudbury	1996	79,500		346		-0.3	300		149,387		2,198		108,223		6.8
	1997**	80,000	0.6	330	-4.6	0.4	295	-1.7	147,000	-1.6	1,975	-10.1	107,000	-1.1	7.2
	1998**	81,000	1.3	335	1.5	0.4	300	1.7	148,000	0.7	2,000	1.3	107,000	0.0	6.5
Windsor	1996	134,100		2,300		0.3	1,629		184,153		5,171		121,088		2.8
	1997**	133,500	-0.4	2,080	-9.6	3.7	1,550	-4.8	189,000	2.6	5,100	-1.4	124,000	2.4	4.5
	1998**	136,000	1.9	1,801	-13.4	1.0	1,275	-17.7	193,500	2.4	4,800	-5.9	126,000	1.6	3.6
London	1996	203,800		1,394		-1.1	804		185,768		6,770		127,261		6.0
	1997**	210,800	3.4	1,810	29.8	1.1	1,310	62.9	182,000	-2.0	6,400	-5.5	131,000	2.9	5.1
	1998**	214,800	1.9	1,955	8.0	1.8	1,415	8.0	187,000	2.7	6,250	-2.3	134,500	2.7	4.4
Kitchener	1996	203,500		1,968		-0.1	1,339		176,444		4,666		134,839		1.8
	1997**	204,900	0.7	2,100	6.7	0.3	1,450	8.3	174,000	-1.4	4,500	-3.6	142,300	5.5	1.9
	1998**	208,900	2.0	2,150	2.4	1.2	1,400	-3.4	178,000	2.3	4,700	4.4	146,500	3.0	1.9
St. Catharines-Niagara	1996	164,900		987		1.0	663		182,840		2,866		121,662		5.6
	1997**	165,900	0.6	1,440	45.9	2.8	1,050	58.4	174,000	-4.8	2,900	1.2	124,550	2.4	5.4
	1998**	168,300	1.4	1,400	-2.8	2.0	1,025	-2.4	174,000	0.0	2,950	1.7	127,650	2.5	5.0
Hamilton	1996	308,500		2,642		-0.9	1,472		210,247		10,224		142,267		2.2
	1997**	312,800	1.4	3,500	32.5	2.6	2,200	49.5	211,000	0.4	10,100	-1.2	152,000	6.8	3.1
	1998**	319,100	2.0	3,500	0.0	2.3	2,100	-4.5	221,000	4.7	10,500	4.0	156,500	3.0	1.8

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	YR/YR % CHG	TOTAL HOUSING STARTS	YR/YR % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	YR/YR % CHG	AVERAGE SINGLE NEW HOUSE PRICE $	YR/YR % CHG	NUMBER OF MLS* SALES (RES.)	YR/YR % CHG	SINGLE MLS AVERAGE PRICE $	YR/YR % CHG	3 UNIT + APT. STRUCTURE VACANCY RATES OCTOBER %
Toronto	1996	2,158,000		18,998		-1.3	10,152		298,723		55,779		198,150†		1.2
	1997**	2,245,000	4.0	25,000	31.6	2.0	13,100	29.0	298,000	-0.2	59,000	5.8	212,000†	7.0	0.8
	1998**	2,315,000	3.1	27,000	8.0	2.5	13,700	4.6	320,000	7.4	61,000	3.4	222,000†	4.7	1.8
Oshawa	1996	129,750		1,563			1,216		183,340		N/A		N/A		3.7
	1997**	136,000	4.8	2,000	28.0		1,750	43.9	182,000	-0.7	N/A		N/A		2.4
	1998**	140,000	2.9	2,150	7.5		1,750	0.0	184,000	1.1	N/A		N/A		3.5
Ottawa	1996	393,600		3,066		-1.5	1,439		189,980		8,648		150,087		4.9
	1997**	401,200	1.9	3,674	19.8	1.5	1,954	35.8	191,900	1.0	9,880	14.2	155,200	3.4	4.2
	1998**	410,000	2.2	4,260	15.9	1.5	2,350	20.3	197,300	2.8	10,590	7.2	160,400	3.4	3.3
Hull	1996	131,300		1,044			528		127,000		1,766		98,239§		7.7
	1997**	130,000	-0.8	1,230	17.8		600	13.6	119,000	-6.3	2,000	13.3	95,000§	-3.3	9.4
	1998**	130,500	0.4	1,275	3.7		650	8.3	120,000	0.8	1,800	-10.0	96,000§	1.1	9.0
Montréal	1996	1,557,600		7,556		0.0	3,781		134,492		21,816		111,989		5.7
	1997**	1,587,600	1.9	10,500	39.0	0.0	5,100	34.9	127,800	-5.0	24,500	12.3	116,622	4.1	5.9
	1998**	1,612,600	1.6	11,000	4.8	0.1	5,000	-2.0	130,400	2.0	24,000	-2.0	118,592	1.7	5.6
Trois-Rivières	1996	63,000		486			229		91,000		853		75,700		8.0
	1997**	62,000	-1.6	575	18.3		265	15.7	95,000	4.4	780	-8.6	77,900	2.9	8.6
	1998**	62,000	0.0	575	0.0		280	5.7	97,000	2.1	760	-2.6	79,500	2.1	8.4
Sherbrooke	1996	66,450		797			309		104,800		903		84,800		6.6
	1997**	65,000	-2.2	750	-5.9		375	21.4	100,000	-4.6	905	0.2	87,500	3.2	7.5
	1998**	64,200	-1.2	625	-16.7		325	-13.3	100,500	0.5	800	-11.6	88,700	1.4	7.2
Québec	1996	324,800		2,208		-1.4	1,006		96,200		4,767		84,867		6.5
	1997**	322,300	-0.8	2,200	-0.4	-0.8	1,210	20.3	95,400	-0.8	5,380	12.9	85,500	0.7	6.6
	1998**	325,300	0.9	2,250	2.3	0.5	1,300	7.4	95,900	0.5	5,070	-5.8	86,500	1.2	6.3
Chicoutimi-	1996	64,170		308			237		85,021		1,478		72,800		5.4
Jonquière	1997**	65,500	2.1	480	55.8		330	39.2	83,000	-2.4	1,430	-3.2	73,500	1.0	4.1
	1998**	66,500	1.5	340	-29.2		250	-24.2	81,000	-2.4	1,300	-9.1	74,000	0.7	5.2
Saint John	1996	56,900		306		-1.1	217		113,167		1,152		86,875		9.1
	1997**	56,300	-1.1	235	-23.2	-2.6	175	-19.4	114,500	1.2	1,050	-8.9	87,000	0.1	8.2
	1998**	57,300	1.8	275	17.0	0.9	225	28.6	116,000	1.3	1,150	9.5	88,250	1.4	8.0
Halifax	1996	172,100		2,022		0.8	1,578		127,500		5,442		118,697		8.7
	1997**	175,000	1.7	2,000	-1.1	-1.8	1,400	-11.3	134,000	5.1	5,100	-6.3	124,500	4.9	7.7
	1998**	177,600	1.5	1,825	-8.8	-1.0	1,300	-7.1	138,000	3.0	4,900	-3.9	127,000	2.0	7.5
St. John's	1996	78,300		1,001		-1.1	524		117,500		1,915		94,142		15.4
	1997**	77,800	-0.6	925	-7.6	-2.0	525	0.2	120,000	2.1	2,075	8.4	93,500	-0.7	16.6
	1998**	79,000	1.5	1,000	8.1	0.5	575	9.5	121,500	1.3	2,125	2.4	94,500	1.1	13.0
Charlottetown	1996	26,300		265			229		123,300		372		97,700		4.0
	1997**	26,000	-1.1	225	-15.1		185	-19.2	120,000	-2.7	515	38.4	96,000	-1.7	4.0
	1998**	26,250	1.0	240	6.7		200	8.1	120,000	0.0	400	-22.3	97,000	1.0	4.3
ALL	1996	8,905,500		79,670			44,113				216,734				
METRO	1997**	9,116,900	2.4	97,667	22.6		55,289	25.3			230,157	6.2			
AREAS	1998**	9,321,948	2.2	105,410	7.9		58,795	6.3			233,400	1.4			

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1997-1998 values are CMHC forecasts.*

† *Average MLS price.*

§ *Singles and semi-detached.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

continued from page 1

Builders will find multiple activity important in '98

Repeat buyers will be active in 1998, but their presence will be felt beyond the single homes market. Total starts, including semis, rows and multiples, will increase by close to 8 per cent after rising almost 23 per cent in 1997. This trend will hold in 20 major centres across the country.

Many budget-conscious **repeat home buyers** are in the market for new homes priced lower than the maximum they can afford. Typical of this is Edmonton, where homes priced below $160,000 are in high demand. Overall, this means that multiple activity — semis, rows and condominiums — will be popular, up almost 10 per cent in 1998.

Single starts will continue upward by more than 6 per cent in 1998 after increasing by a spectacular 25 per cent in 1997. In total, single starts will increase in 17 centres. In centres where starts decrease, the drop will often be a moderation from very active markets in the past few years.

Total housing starts in 1998 will rise the most in Calgary (25.0), Edmonton (22.4), Thunder Bay (20.1), Saint John (17.0), and Ottawa (15.9). Residential construction in **Calgary** is climbing to levels not seen since the boom years of the early 1980s. Fundamentals for the housing market will remain healthy, with employment gains solid, consumer confidence high and interest rates low. Although the cost of building a home has increased, a shift towards lower priced products will occur. Homes priced below $150,000 have gained a higher share of the market and will continue to do so in 1998.

In the last few years, Calgary has quickly become one of Canada's most important housing markets. Total starts are expected to rise by 25 per cent in 1998, to 13,000 units. Construction has increased so rapidly in Calgary that the number of housing starts in 1998 is expected to reach 75 per cent of the level in Vancouver. Just two years ago, it was only 46 per cent.

An improved economy will strengthen demand in **Edmonton**, particularly among repeat buyers. In the market in general, fewer listings and higher prices in the resale market will also shift demand towards new homes. Total starts are expected to rise by slightly more than 22 per cent to reach 6,000

continued on next page

Reduction in completed and unoccupied units bodes well for housing activity

A reduction in completed and unoccupied newly constructed homes means that **new homes are being sold rapidly** and that demand has surpassed supply. This is a very good sign for housing construction and employment in that sector. In fact, labour demand pressures in the residential construction industry are beginning to occur in Calgary and Edmonton.

Canadian Housing Markets (CHM) monitors the number of **completed and unoccupied** units via its absorption survey in all major urban centres in the country. It is a strong and vital indicator of current and future housing market activity. As indicated in the 1997 second quarter issue of CHM, a strong recovery will occur in 1997. This is largely due to employment growth that is boosting consumer confidence and resulting in more jobs in the housing sector.

The inventory numbers shown below do not indicate a slowdown in housing market activity. Inventories in all the markets shown decreased in the year after August 1996.

Newly Completed and Unoccupied Row & Apartment Dwelling Units

	1996 (August)	1997 (August)	% Change
Halifax	98	76	-22
Montréal	1,065	735	-31
Toronto	615	343	-44
Calgary	213	62	-70
Vancouver	2,965	2,140	-27

Newly Completed and Unoccupied Single and Semi-Detached Dwelling Units

	1996 (August)	1997 (August)	% Change
Halifax	166	121	-27
Montréal	799	603	-25
Toronto	502	423	-16
Calgary	582	514	-12
Vancouver	1,176	996	-15

During this period, some of the most active housing markets experienced the largest decrease in the number of completed and unoccupied units. Calgary, for example, experienced the largest decrease in newly completed and unoccupied row and apartment dwelling units.■

units, after increasing in 1997 by an estimated 35 per cent.

Thunder Bay will be in third position, with starts up 20 per cent in 1998, largely on the strength of an increase in multiples. Now familiar demographic trends of an aging population and a rising number of non-family households provide solid underpinnings for multiple development. This is reflected by the emergence of condominiums as an alternative dwelling style. Developers are also beginning to build freehold town homes. The total starts forecast will be 334 units in 1998, up from 278 in 1997.

The **Saint John** increase will be the result of reduced options in the existing market next summer. With the low number of available listings, repeat buyers will opt for more new homes. The total increase of 17 per cent will raise the year's total to 275 units.

Stronger consumer confidence based on improving employment prospects and low mortgage rates will continue to boost the **Ottawa** market in 1998. Starts are expected to increase by almost 16 per cent to 4,260 units, led by a 20 per cent increase in single-detached homes.

Highlights of 1998 Forecast

Percentage Change in Annual Total Housing Starts: 1997-1998

Top Five %		Bottom Five %	
Calgary	25.0	Chicoutimi	-29.2
Edmonton	22.4	Sherbrooke	-16.7
Thunder Bay	20.1	Windsor	-13.4
Saint John	17.0	Halifax	-8.8
Ottawa	15.9	Saskatoon	-3.5

Some centres will have fewer starts in 1998, but almost all of them had high levels of activity in 1996 and 1997. They are Chicoutimi (-29.2), Sherbrooke (-16.7), Windsor (-13.4), Halifax (-8.8), and Saskatoon (-3.5).

In **Chicoutimi** the level of housing starts will be maintained by good affordability. The forecast decrease of 29 per cent would bring the level down to 340 units from the 480 units estimated for 1997. However, the 1998 level would be a more normal level of activity. The market became artificially buoyant in 1997 when many families were relocated following the 1996 floods.

In **Sherbrooke**, starts will slow down because of diminishing activity in apartment starts. The 625 units forecast is a decline of almost 17 per cent. With relatively high consumer confidence, many households will continue to leave rental units for affordable single units priced under $90,000.

Even with a decrease of 13 per cent in **Windsor** in 1998, the level of activity will still be healthy. This drop will come on the heels of one of the best years on record for housing construction. Lower demand, which will bring the total number of starts down to 1,801 units, is mainly the result of reduced job creation.

Underlying the decline in construction in **Halifax** will be the withdrawal of first-time buyers from the less affordable new home market. Residential construction will fall by almost 9 per cent next year, to 1,825 units.

Housing starts in **Saskatoon** will decrease slightly from the near-record level of 1,140 achieved in 1997. Multiple activity will again show strength as inventories are exhausted. The decrease of 3.5 per cent should be seen more as a correction than as an actual decrease in activity. Household growth, sustained by modest job creation and income growth, will continue to support housing demand.

Realtors to be active in 1998 as many markets hit all-time high

Resales are expected to rise by slightly more than 1 per cent in 1998, after increasing by more than 6 per cent in 1997. Thirteen of the 27 major centres will see more resales in 1998.

Resales will increase the most in Saint John (up by 9.5 per cent), Ottawa (7.2), Calgary (4.5), Kitchener (4.4) and Hamilton (4.0).

In **Saint John**, resale homes priced above $150,000 will become even more popular in 1998. The economy will continue to rebuild and pent-up demand for larger homes will be released. During the year, **house sales will match the record** attained in 1996 with 1,150 units.

Sales are forecast to increase more than 7 per cent in the **Ottawa** region, and to **surpass the record** of 10,000 sales achieved this year. Largely contributing to this performance are lower mortgage rates and the generally improved confidence in the long-term economic prospects of the region. The west end of the region will benefit from this increase more than others, as it has a large share of the region's fast-growing high-tech industry.

The spotlight in the west is now turning from Vancouver to the other side of the Rockies. **Calgary** resales will increase by almost 5 per

continued on page 8

Highlights of 1998 Forecast

Percentage Change in Annual Resales: 1997-1998

Top Five %		Bottom Five %	
Saint John	9.5	Charlottetown	-22.3
Ottawa	7.2	Sherbrooke	-11.6
Calgary	4.5	Hull	-10.0
Kitchener	4.4	Chicoutimi	-9.1
Hamilton	4.0	Windsor	-5.9

Montréal's flight to the suburbs slowing down: can this be a national trend?

The widespread movement away from city centres, which had major consequences for housing in the 1970s and 1980s, appears to be slowing down, according to a recent analysis of migration patterns in Montréal.

The analysis examined data from various censuses and the latest migration figures from Statistics Canada, and found that the growth rate of suburban areas in 1989 was almost twice what it is today. During the second half of the 1980s, growth in the most distant suburbs (22.3 per cent) was particularly noteworthy and coincided with a real estate boom off the Island of Montréal. Afterward, however, between the 1991 and 1996 censuses, population in the outlying areas increased by only 12.4 per cent.

Clearly, fewer households are moving to the furthest reaches of the metropolitan area. Indeed, there has been a sharp decline in residential starts.

Migration data confirm this trend. After a net loss of nearly 40,000 people in 1990, the situation on the Island of Montréal improved to a net loss of just under 15,000 in 1995. On the Island of Laval and in the central part of the South Shore, there was a net gain of 10,000 inhabitants in 1987 and 1988 and annual losses of nearly 900 people yearly from 1993 to 1995.

All the figures taken together show smaller and smaller migratory surpluses in the more distant parts of the metropolitan area; that is, in the rest of the South Shore, the North Shore, and the MRC de Vaudreuil-Soulanges. Indications are, however, that this area still attracts households that must leave the city core in order to afford home ownership.

What will happen in the long term? Will the population continue to move away from the Island of Montréal? Demographic data is very clear: the number of people between 25 and 35, that is, those most likely to become home owners, will continue to decline. Consequently, the move to the suburbs can only further slow down over the next few years.

If this pattern indicates a nationwide trend, it could have implications for all sectors of the housing industry.■

This article was written by Jean Laferrière, Market Analyst at CMHC's Montréal Office. For more information, contact Jean at (514) 496-8564. This article was first published in the local Housing Market Outlook, Fall 1997. To order this publication, please call 1-800-668-2642.

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How useful are average house prices?

New research shows how to make them more accurate

The average prices of homes sold on real estate markets are reported year round. Consumers are interested in the price of the "average" house within a given area, and pay attention to how this average price changes over time and varies by region. Such prices help industry participants assess market demand and risk.

A regular average, however, can present a cloudy picture of housing demand and supply because it is highly influenced by changes in the composition of the characteristics of houses sold each month. For example, when more luxury homes are sold, the average price increases. In such a case, the average price reported does not reflect "pure" changes in overall house prices. This is referred to as the problem of *compositional shifts.*

While it is generally accepted that most real-estate data are to some extent inaccurate because of compositional shifts, the industry has devoted little effort to correct this inaccuracy. Most of the study in this area has been confined to academic research. However, this problem has been tackled by a new research report: *Compositional Shifts and House-Price Indexes*, recently published by CMHC.

The challenge undertaken by the report was to develop a meaningful and accurate average price for real estate. The method of calculating the average had to be able to filter out the price changes caused by a mix in the properties sold and isolate the pure price change.

The study examines the extent of compositional shifts in the calculated straight average of house prices (regularly seen in media reports on average house prices). It then builds three alternative average prices that use different methods of correcting for shifting composition in monthly house sales. These slightly more complicated ways of calculating the average price, also referred to as price indexes, are (1) the overall-weights index, (2) the price-ratio-adjusted index, and (3) the hedonic price index.

The overall-weights index

This method of calculating the average price corrects for compositional shifts due to location. When more homes are sold in an expensive sub-region, the average price for the whole region will increase. In technical terms, the sub-region's weight in calculating the average is growing.

Take a hypothetical market where ten homes are sold in each of two consecutive months.

In the first month, two identical two-storey homes in an expensive sub-region each sell for $200,000; this sub-region has a weight of 20 per cent (2 out of 10). Eight identical single-detached homes sell for $100,000 each in a less expensive sub-region; this sub-region has a weight of 80 per cent (8 out of 10). The average price for the whole region is $120,000 (20%x$200,000 + 80%x$100,000).

In the following month, eight identical two-storey homes each sell for $200,000 in the expensive sub-region and two identical single-detached homes each sell for $100,000 in the less expensive sub-region. This time the average price for the whole region is $180,000. Note the reversal of weights by sub-regions. Average prices have gone up because of shifting composition only.

As its name implies, the overall-weights index corrects for shifting composition by calculating each region's historical weights for all months available. These overall weights are then used to calculate the adjusted monthly averages.

During the two months in our example, each region had 10 sales. The overall weight for each sub-region is 50 per cent (10 out of 20). The average price in the first month for the whole region would be $150,000 (50%x$200,000 + 50%x$100,000). The second month average price would also be $150,000. In this case, the month-over-month price change is zero, and this is the pure price change.

The price-ratio-adjusted index

Like the overall-weights index, this index corrects for compositional shift due to location. However, rather than taking the average prices as given and adjusting each region's proportion of sales (weight), this method takes the proportion (weight) of sales as given each month and adjusts prices (changes their weights).

The hedonic price index

The hedonic price index, also known as the constant-quality price index, compensates for compositional shifts by taking a detailed look at the characteristics of each house sold. The characteristics examined here are house size, number of bedrooms, number of bathrooms, annual total taxes, style of house, and age of house. The regression

continued on page 11

cent in 1998 to set a **new record** of 23,000 sales. **Stronger demand** and scarce listings will continue to bid up prices and send buyers to the new home market for alternative supply. An increasing population and rising personal incomes are also feeding housing demand.

In the best year for local realtors since 1990, **Kitchener's** resales will reach 4,700 units in 1998, up 4.4 per cent. The local housing market will benefit from improving consumer confidence, low mortgage rates and stronger employment growth. While sales are expected to be strong in 1998, home listings will drop further until continually rising resale prices convince home owners that the time is right to sell.

Next year, resales in **Hamilton** will reach their highest level since 1989. The total number of sales will be 10,500 units, 400 more than this year's estimated total. Low mortgage rates, strong consumer confidence and employment growth will all contribute to the 4 per cent growth expected in 1998.

Declining resales in 1998 will occur most notably in Charlottetown (- 22.3), Sherbrooke (-11.6), Hull (-10.0), Chicoutimi (-9.1) and Windsor (-5.9). Because many of these markets have been buoyant in the past few years, the decrease will represent a normal market adjustment.

Sales of existing homes were especially strong in **Charlottetown** in 1997 and will decrease by 22 per cent next year. Part of the reason is that mortgage rates will not be quite as favourable as this year, and full-t ime employment will not have completely recovered from the loss of jobs when Confederation Bridge was completed. The decrease will bring total sales to 400 units, down from 515 estimated for 1997.

In **Sherbrooke**, the continued slowdown in employment will discourage housing sales in 1998. In total, 800 units will change hands, a decrease of almost 12 per cent from this year's 905 sales.

The **Outaouais** resale market will decline in 1998 after a record-setting year in 1997, which surpassed by 13 per cent the excellent performance registered in 1996. The 1997 level was even better than the record year of 1989-90, when the market was extremely active. The total number of sales is forecast to be 1,800 in 1998, for an adjustment of 10 per cent.

The resale market in **Chicoutimi** will slow down by 9 per cent in 1998. This is three times the rate of decrease in 1997, and will bring the level of transactions to 1,300 units, 130 units fewer than in 1997. Because builders have adjusted to demand and made new homes more affordable, existing homes have become less popular.

In **Windsor**, market activity will continue to slow in 1998 as sales fall below 5,000 units. Rising prices and slightly higher borrowing costs will dampen affordability slightly and result in a reduced level of sales of around 6 per cent.

continued on next page

Hottest and Coolest Markets for Resales in 1998

Hottest and coolest resale markets for 1998

All 27 major resale markets are shown in the accompanying chart **Hottest and Coolest Markets for Resales in 1998**. It shows the relative position of Canada's 27 major markets by comparing the number of sales and average prices forecast for 1998.

As shown in the chart, resale home prices are forecast to rise in many centres next year. In fact, none of the major centres will experience a price decline in 1998. The average price of a single resale will increase by at least 1 per cent in 23 of the 27 major centres in 1998. Of the 23 centres, most will be in at least their second year of average price increase as a result of increased demand and lower levels of listings.

The coolest markets, those forecast to have both declining resales and average prices relative to 1997, are closest to the bottom left quadrant. The hottest markets, those forecast to have a positive increase in sales and an increase of at least 1 per cent in average prices, are in the top right quadrant.

More price growth in many centres in 1998

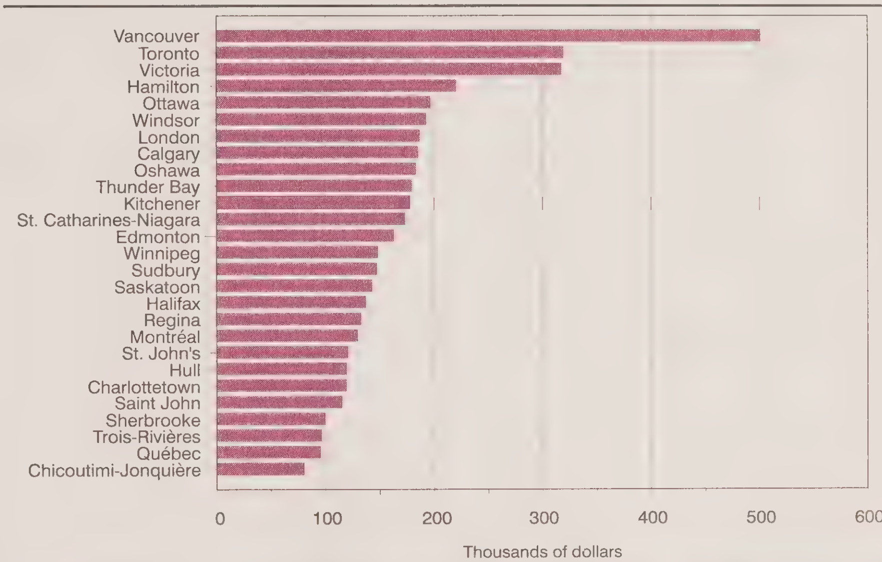
A **key indicator** of new home price increases is the New House Price Index (NHPI). According to CMHC's latest local forecasts, the index should increase in 19 of the 21 centres surveyed in 1998. The NHPI is estimated to have increased in 14 centres in 1997.

NHPI growth will be the strongest in **Calgary** for the second consecutive year, with an increase of 7 per cent. This is almost twice the magnitude of the second highest increase, Regina with 3.6 per cent. In Regina, prices will be driven up because of very active buyers in the new housing market. According to Paul Caton, Senior Market Analyst for Saskatchewan markets, "Builders have started to build on spec, something that hasn't occurred throughout much of the nineties."

The **most expensive** new single-detached properties will remain in Vancouver, with an average price of $502,000. This is more than six times the price of a new single-detached home in the Saguenay ($ 81,000). (see chart below)

Average resale home prices will rise more than 1 percent in 23 of the 27 major centres in 1998. This is four centres more than in 1997. Prices are expected to rise the most in Calgary (8.4 per cent), Saskatoon (7.8 per cent), Toronto (4.7 per cent). Price increases will be the result of stronger demand over the past few years and a lower number of listings. Many markets are tightening as increased employment opportunities build up consumer confidence towards housing.■

Highest to Lowest 1998 Average Single New House Price



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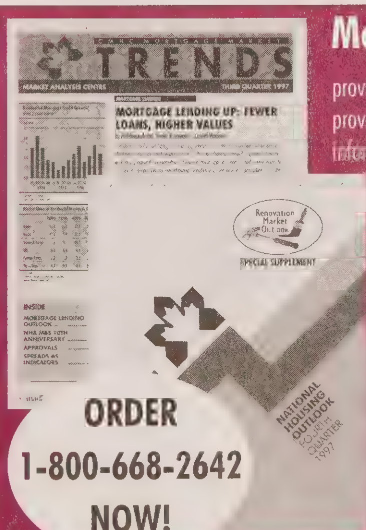

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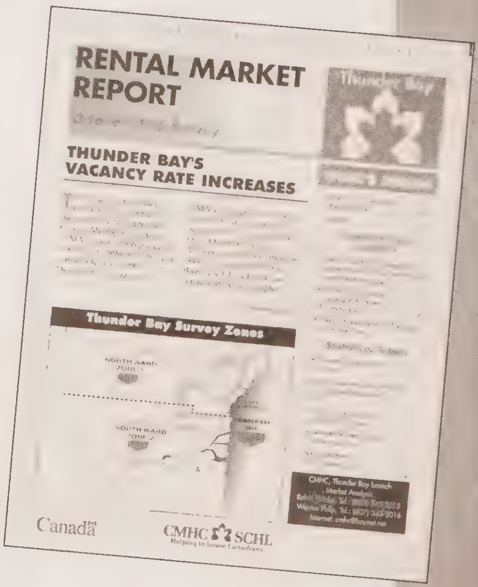

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How useful are...

continued from page 7

technique breaks down the month-over-month price change into pure price change and quality price changes. The result interprets changes in terms of price only and keeps quality constant.

Conclusions

(1) Large compositional shifts result in volatile average prices. Each index provides estimates of house-price changes that are about equal to, or slightly lower than, the standard average price. The hedonic index provides the lowest period-to-period fluctuations in estimated "pure" house-price changes.

(2) The overall-weights and price-ratio-adjusted indexes compensate for the significance of compositional shifts and thereby reduce the large period-to-period fluctuations in the average price.

(3) The hedonic index recognizes that compositional shifts in housing characteristics other than region are important determinants of house-price averages.

(4) The results suggest that the overall-weights index is better than the price-ratio-adjusted index in accounting for compositional shifts. This may be because house-price changes were not uniform across the ten geographic regions of Montréal used in the study. The hedonic index provides lower period-to-period fluctuations than the standard mean index. In fact, it is the only index that demonstrates a clear price trend. Whereas all other indexes show average prices rising, the hedonic index indicates a downward price trend after about 1990. The report offers some explanations for this observation based on the significant recession of 1990-91.

Overall, it is difficult to say which method is best at correcting the standard mean index. The overall-weights index appears to be better at correcting for compositional shifts than the price-ratio-adjusted index. The hedonic method is the most accurate of all, though it is the most difficult to use.

These alternative methods of calculating the average prices of houses can benefit all market participants by turning the focus onto pure prices changes, which in turn reflect market fundamentals. Households can formulate a rational expectation of potential price increases; builders can base their plans on a pure house price change; and lenders can minimize risk by knowing true price changes. ■

Detailed findings of this study can be found in the report *Compositional Shifts and House-Price Indexes*, by Christopher Ragan, Department of Economics, McGill University. The project was carried out with the assistance of a grant from CMHC under the External Research Program (CMHC file 6585-R065).

The opinions reflected in this article are those of the researchers and do not represent the official views of CMHC.

For a copy of the report, contact the Canadian Housing Information Centre at (613) 748-2367.

DEFINITIONS:

LOCAL HOUSING MARKET INDICATORS
(pages 2 & 3)

Total Employment
The number of people employed in the CMA in all industries in a given year.

Total Housing Starts
Total number of starts for all housing types for the year.

Single Housing Starts
Total number of single housing units initiated during the year.

New House Price Index
A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price
The weighted average price of all units sold during the year.

Number of MLS Sales (residential)
Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price
Weighted average price of single family homes sold through MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate
Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

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The national contributors are Greg Goy, David Dallaire and Bruno Duhamel. Comments and requests for additional information may be referred to Greg Goy, Manager, Local Market Analysis, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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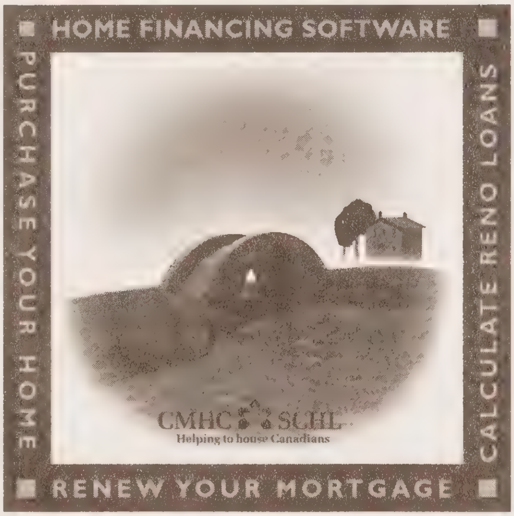

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Moving down in the nineties . . . to buy or to rent?

Deborah and Jeff are in their mid fifties. They live in a large two-storey house valued at $250,000 and are mortgage free. The way they think about housing is changing because their youngest child left home last year and Jeff plans to take advantage soon of an offer from his company to retire early.

For a number of reasons, they think it may be time to sell their large home. A smaller house would be easier to manage financially. It would take less time and effort to keep up. It could even give them more security and the freedom to travel.

Like a growing number of Canadians entering their empty-nest years, Deborah and Jeff have a number of questions about their home financing options: What are the financial implications of choosing a smaller bungalow, townhouse or condominium apartment? What are the advantages of buying? of renting? If they buy, would they be farther ahead paying cash or putting down a minimum down payment?

This article considers these housing alternatives objectively and offers calculations for considering them in depth. An examination of all the financial factors that should be considered can help confused home owners and interested financial advisors examine a given situation from all points of view.

This discussion recognizes that the final decision is based on a number of non-financial factors and that home owners must assess their own unique circumstances before making what, in the end, is as much an emotional as a financial decision.

The article is based on the Buy or Rent Decision Model© available in LOTUS or EXCEL 5.0 spreadsheet. This model was described in "Rent or Buy a House in the 1990s . . . Who do You Believe?" (CHM, third quarter 1996). It consolidates all the major factors and financial assumptions that must be considered by empty nesters or others considering a move out of a large house.

The model (see box) is flexible enough to be adapted to a variety of situations. Besides showing the financial implications of different courses of action for move-down buyers and renters, it can also help first-time buyers decide whether to buy or rent. For people who decide to move to a less expensive home, the model can show whether to increase the down payment or to invest some or all of the proceeds from the sale of their original home.

Applying the model

For years, Deborah and Jeff made payments on the large home they live in, but they now feel that they could be as comfortable in smaller quarters. In considering less expensive houses, they want to be certain to make the wisest financial decision from all perspectives. They have gathered information about how to sell their home to free up time and money.

This is a complex decision, involving many factors the couple may never have considered. It is important for them to consult with experts who are familiar with the various elements of this decision so that when they begin to use the model they can provide figures that accurately reflect their financial situation.

In using the model, Deborah and Jeff must be aware of its major assumptions:

a) They will invest the difference between their present equity and the amount they decide to put down on their new house. At the end of the investment period they choose in the model, they will sell the new house and there will be a real estate fee. This will offer a meaningful comparison on a "cash" net present value.

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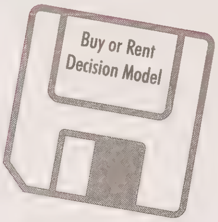

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b) If the couple rents instead of buying down, they will deposit in short term investments, such as T-Bills and GICs, any surplus that results from renting, and will earn an annual after-tax return. The model will be most effective if the couple enters an exact percentage (up to 100 per cent) of the difference that they will save or invest if they buy down or rent down.

c) The couple will reinvest all interest and dividends from investments. As a result, they must deduct capital gains taxes in order to determine after-tax value.

d) Any RRSPs they purchase will eventually be collapsed and taxed as income. To reflect the advantages of RRSPs, the model assumes that the tax refund in the first year (the RRSP contribution times the tax rate) is added as an investment. The model does not reinvest it in RRSPs since the additional capacity to invest in RRSPs becomes more of an unknown. (We have not included RRSP contributions in our example.)

The model allows Deborah and Jeff to calculate a variety of factors:

- The model deducts purchasing costs for the smaller house.
- To pay the mortgage on the new home, the couple may want to make early principal payments. When the model calculates them, it assumes that total monthly payments would have been the same if Deborah and Jeff had rented.
- Alternatively, the couple can enter another monthly rent figure.
- By using the age and price of the house as a basis, the model calculates the remaining shelter

continued on next page

USING THE MODEL

1) Deborah and Jeff **sell** their senior executive **house** for $250,000. (This was the average price of a senior executive home in the western part of Ottawa in summer 1997, according to a major real estate firm.) **Legal and other fees** of $17,000 are deducted from the selling price.

2) The couple purchase a **bungalow** for $150,000. (This is the average price of a resale bungalow in the western part of Ottawa.) In the first simulation, they do not require a **CMHC-insured mortgage** since they can pay cash with the proceedings of the earlier sale. In the second simulation, they pay a minimum down payment. **Legal and other fees** are $2,400.

3) The **down payment** in the first simulation is $150,000 (100 per cent of the house price). There is no **amortization period.** In the second simulation, with the mortgage, a 25-year amortization period is used and the **mortgage rate** is 8 per cent.

4) No **additional payments** are entered.

5) **Annual property taxes** are $2,565, or 1.7 per cent of the house price. (The figure is based on statistics from a large real estate firm.) **Insurance** on the building is 0.2 per cent of house price, or around $270 per year. Insurance on belongings, paid by both home owners and renters, does not figure into these calculations.

   Property taxes, insurance, and maintenance expenses are assumed to increase annually at 1.5 per cent. As buyers, Deborah and Jeff plan to invest outside their RRSPs. In the first case, they invest the entire difference between the purchase prices of the two houses. As renters, in the second simulation, they invest the entire **difference between the higher shelter costs and lower rent**.

6) **Rent** is $1,000. (This is based on statistics from the same real estate firm as in 2).)

7) **The rate earned on shelter vs rent cost** is 5 per cent. This is roughly the return on short-term money instruments such as commercial paper, GICs and T-Bills. In contrast, **the rate earned on investment,** including the difference between the sales of the executive home and the purchase price of the new home and RRSP growth, is 8 per cent, reflecting a lower risk investment comparable to house equity. **The personal tax rate** is 40 per cent.

8) **Real estate price growth** for the bungalow is 2.8 per cent the first year, 2.1 per cent the second and 1.5 per cent for the remainder of the study period. **Rent inflation** is 0.5 per cent in the first two years and 1.5 per cent afterward. (New rental legislation in Ontario could make rents increase by more than the estimated inflation.) There are four **investment periods**: one of 28 years based on average life expectancies of males and females of 55 years of age (Statistics Canada), 25 years, 15 years and five years, as Deborah and Jeff are curious about their financial position in the medium and short term. The table shows the results for the investment periods, as well as cases with the purchase of other types of homes.

9) When the house is sold, the **real estate fee** is 6 per cent. With a discount broker, this fee can be lower. ■

costs, that is, annual expenses and maintenance expenses. (If it is available, the buyers can substitute more detailed information from a variety of sources: local real estate boards, realtors, local builders, local CMHC reports and Statistics Canada.)

Deborah and Jeff can enter a number of financial and economic indicators:

- a rate of return for an amount earned on the difference between rent and shelter cost
- a rate for *investment* and RRSP growth
- a personal tax rate
- annual real estate price growth
- annual property tax and expense inflation
- annual rent inflation

They should also subtract the legal and real estate fees required for the sale of their current home, and calculate how much cash will remain to invest after they pay for a smaller house.

The model calculates an after-tax value for the new house and a value for the couple's after-tax assets if they rent. The difference between the two figures is a net rent or net buy value. We are interested in the net value, to see how far ahead a household will be if it sells the more expensive home. Finally, the model discounts the net value at the after-tax growth rate for RRSPs and investments to arrive at a value in today's dollars.

Financial results are projected for up to 50 years, and Deborah and Jeff can view their own results for up to 30 years in graph form. If the couple wants to know the value at the end of a given year, they simply enter the year into the

continued on next page

model's *Investment Period* location.

The decision to move down encompasses financial and emotional considerations. It is personal, and the model can offer help with only a part of the decision. Nevertheless, the financial aspect is extremely important and it must be accounted for. If it is, a potential move down household will know just how much it will cost to override the numbers when emotional factors come into play.

The reasons for households to sell or stay are as individualized as the people themselves. In the end, Deborah and Jeff must make the decision on their own. But if they examine the numbers closely and consider the financial conclusion along with their own prospects and goals, the model will put them in a better position to make the right decision for them.

What the model shows

The decision to move down is financially beneficial in many instances, especially in the medium to long term. In the long term, it is even more often a better financial decision.

Renting down is advantageous in some circumstances, such as when the second house that could be purchased is still costly enough not to free up enough cash for investment purposes or when the house is owned for a short period of time.

When the couple **buys down,** purchasing with a mortgage will earn more than paying cash, especially in the long term. This is because in the short term a large payment will leave this couple less to invest at better returns. On the other hand, equity grows with a mortgage and adds to the investment growth. (See the Table of Move Down Net Values.)

Table of move down net values (In today's dollars)

B=buy value R=rent value	28-year	25-year	15-year	5-year
Bungalow				
No mortgage	R=$85,627	R=$63,990	R=$12,715	B=$900
90% mortgage	B=$8,784	B=$5,891	R=$4,289	R=$11,301
Townhouse				
No mortgage	R=$12,365	R=$400	B=$22,332	B=$12,832
90% mortgage	B=$47,429	B=$43,858	B=$27,668	B=$5,105
Standard apartment condo				
No mortgage	B=$9,214	B=$18,753	B=$33,744	B=$16,693
90% mortgage	B=$61,140	B=$57,187	B=$38,378	B=$9,982

In summary, the model shows that the more cash that can be freed up when a suitable home is purchased, the more potential there is for long-term profits. But purchasers need to be disciplined enough to invest the cash that is freed up and to invest at after-tax returns greater than might be produced by the home purchase.

This table presents the calculations for the purchase of a bungalow — that is, it works out the option of buying a small single-family house for $150,000 or renting it for $1,000 per month — and shows how the results would differ with the purchase or rental of a townhouse or a condominium apartment.

In our scenario, renting would be a better financial option than paying cash because renters could put more money into investments and earn better returns. But if the bungalow is bought with a mortgage of 90 per cent, the couple could increase their net value by combining their increased equity through monthly payments with a return on investments. Renting would yield better returns for about 15 years, but it would then become more advantageous to have bought, and that advantage would increase in every year afterward.

In the two other cases, a 90 per cent mortgage would be more advantageous than renting. The buy advantage would diminish with time for a house entirely purchased with cash because of the lower returns on housing. With a townhouse or condo with a large mortgage, the combination of equity build up and money invested would maximize financial returns. This can also be explained, in part, by the return on money invested that is more important.

All these calculations show the importance of taking all factors into consideration at the time of purchase. With the rise or fall of a few figures, the decision to buy or rent could change, especially in borderline cases, when there is only a marginal difference between the options to begin with.■

New study identifies leading causes of bankruptcy

In a new Industry Canada study of individuals seeking bankruptcy protection, the most commonly cited cause was a decline in income following a loss of employment. The new jobs found by many respondents left them with less income than before. There are significantly more women and students declaring bankruptcy now than 20 years ago.

The issue of personal bankruptcy has been getting a lot of attention in the 1990s. In 1997, a record 85,297 Canadians (a rate of 2.8 per 1,000 persons) went bankrupt. Given the importance of this issue to consumers and industry, and the possibly significant role of mortgage debt, the recent Industry Canada study should be of interest to the housing industry.

The study, based on a survey of people applying for bankruptcy protection in early 1997, provides information on why individuals filed for bankruptcy. It gives a breakdown of their finances (assets, liabilities and income) and employment situation, and offers a demographic profile (detailing such information as age, marital status, education and gender). Where possible, it also compares the results of this survey and a similar survey carried out in 1977.

In addition to the survey, the Industry Canada study also examined Statistics Canada data to see whether there are any links between various economic statistics and the number of bankruptcies.

Reduced income the leading cause of bankruptcy

Survey respondents were asked if there were any particular events or debts that triggered their potential bankruptcy. Graph 1 shows the range of answers.

The responses add to more than 100 per cent because the question was open-ended: respondents were allowed to list more than one event.

The top reason for insolvency was a decline in income as a result of job loss. More than one quarter of the potential bankrupts were unemployed, compared to 9.5 per cent of the overall population. The main employment difficulty facing potential bankrupts, however, was the inability to find steady, well-paid work, not the inability to find any work at all.

This distinction is evident from the fact that only 12 per cent reported that they had not worked at all in the last year, while 28 per cent said they had worked all year. The median number of weeks worked in the last year was 40. The distinction also shows up in the results of another question, which asked respondents to rate the extent to which six specific factors had contributed to their insolvency. "Not Enough Work" got a high rating from 53 per cent of respondents, while only 38% gave a high rating to "Loss of Job." Fully 43 per cent gave a low rating to job loss as a factor. These figures lead to the conclusion that debt problems for most individuals can be traced to their inability to find another job that pays as well as one they have lost.

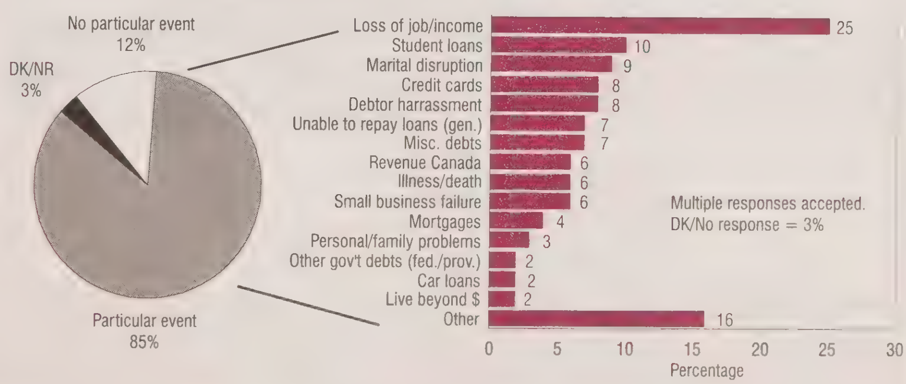
Mortgage debt not a key factor

The possible role of mortgage debt in contributing to bankruptcy is of particular interest to the housing industry. While only 4 per cent of the respondents who named a triggering event mentioned mortgage debt, this figure should be weighed against the fact that only 23 per cent of all respondents had a mortgage when they applied for bankruptcy. A further 8 per cent said they had sold their house in the last two years.

continued on next page

Graph 1

Events/Debts Triggering Insolvency



SOURCE: Industry Canada.

Far more prevalent than mortgages were other types of debt, notably money owed to Revenue Canada (see graph 2).

Profiling potential bankrupts

Low incomes, high liabilities

Not surprisingly, potential bankrupts in the study typically had very low incomes. The median household income of individuals in the 1997 survey was about $24,000, compared to $37,130 for all Canadian families and unattached individuals.

In 1997, the median level of liabilities was $26,016, slightly lower than the 1977 figure, which, when adjusted for 20 years of inflation, was $28,249. Potential bankrupts usually have a negative net worth — that is, their assets are less than their liabilities. In 1977, the median level of net worth was -$23,362, and it improved to -$16,885 in 1997. Given the variability of the data, however, the study concludes that potential bankrupts as a group are in about the same position in 1997 as they were in 1977.

Most susceptible: young people, particularly students, and divorced, separated and widowed persons

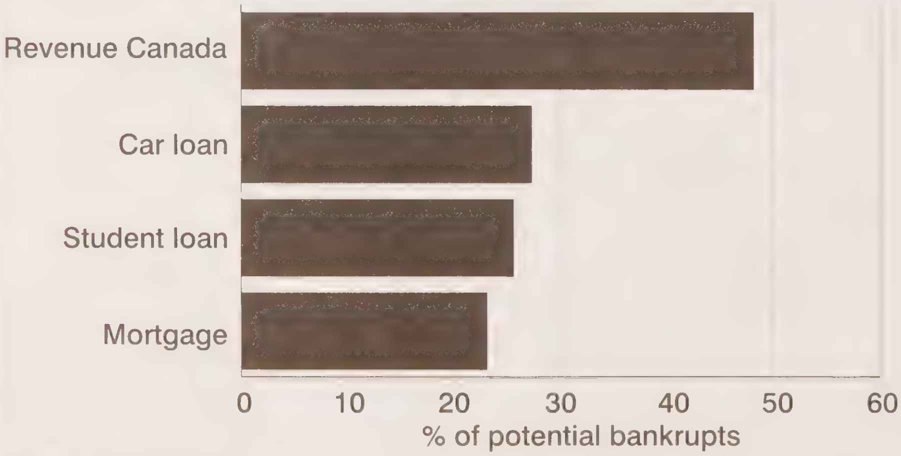
On the whole, potential bankrupts in the current study were younger than the overall Canadian population (see graph 3). This is understandable in light of the fact that young people generally have fewer assets that can be liquidated in the event of financial distress.

Young people were also overrepresented in the 1977 sample. One major difference is that student loans are more evident in bankruptcy now. While the 1977 study found that virtually none of the respondents had student loans (even though more than 40 per cent of the sample were under 30), 45 per cent of those under 30 in the Industry Canada survey had a student loan, and the median loan amount was $10,315. Increased student bankruptcy is the result of higher tuition fees, fewer grants compared to loans, the fact that loans are granted on the basis of need rather than ability to repay, and greater difficulty finding a job.

Divorced, separated and widowed persons were also more numerous in the sample of potential bankrupts than in the Canadian population overall. They made up 29 per cent of the sample but only 7 per cent of the Canadian population aged 15-64. Similarly, in 1977, the same group made up 22 per cent of potential bankrupts but only 6 per cent of the population 15-64. This reflects the economic hardship often created by family breakup.

Graph 2

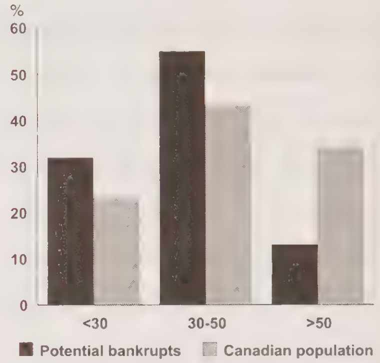
Debts of Potential Bankrupts by Type



SOURCE: Industry Canada.

Graph 3

Age Distribution: Potential Bankrupts vs Canadian Population



SOURCE: Industry Canada.

The biggest demographic change between the 1977 and 1997 samples was the increase in the percentage of single people. Their share rose from 8 per cent of the earlier sample, far less than their share of the population, to 28 per cent of the current sample, about in line with their share of the population. This is likely linked to the increase in student loans.

Increased bankruptcies amongst women

The greater participation of women in the labour force has also led to their increased share of personal bankruptcies. In the 1997 survey, women accounted for 41 per cent of potential bankrupts, up significantly from 25 per cent in 1977.

As well, unmarried women are in greater financial difficulty than unmarried men. This is most clearly illustrated by the fact that in the 1997 survey the median

continued on page 8

New analysis of historical trends in housing affordability available in April

This April, CMHC will publish a special edition of *Canadian Housing Markets* entitled "Affordability Trends in Canada's Major Centres 1970 - 1997." This publication will provide a detailed analysis of home affordability trends in Canada's major urban markets since 1970.

The report will provide market-specific historical information that has never before been available, and will contain a national overview plus a series of three-page reports on each of the 27 major urban centres. It will analyse all of the major factors that affect affordability — house prices, renter incomes, mortgage rates, property taxes and heating costs — and will take both demand-side and supply-side affordability indicators into account. The local market reports will include historical data on changes in the number of renter and home owner households.

Here are some of the highlights of the report:

- Housing affordability, as measured by the percentage of renters who can afford to purchase a starter home, is much higher today than in 1970. For all urban centres combined, 23 percent of renters could afford to buy in 1970. By 1997, this figure had risen to 40.5 percent.
- Affordability was up in all 27 urban centres. The largest gains in affordability occurred in Atlantic Canada, while the smallest gains were in Vancouver and Victoria.
- The pattern of affordability has varied widely between metropolitan areas and regions. Some areas peak when others do not because of variable rates of household and income growth and changes in starter home prices.

  The decline in mortgage rates from 10.1 percent in 1970 to 6.7 percent in 1997 is the most significant factor responsible for the increase in affordability.
- Supply-side affordability indicators are the percentage of resale or new houses that could be purchased by a household with average renter household income. The resale indicator is at a record high in 12 centres and the new home indicator is also at a high in 17 cities. (These supply-side indicators of affordability are available only for the years since 1990 and include only renters aged 20-44 who do not qualify for social housing programs under the National Housing Act.)
- Since 1970, the total percentage increase in renter income has exceeded the increase in house prices for half of the 27 centres. This was the case for all of the markets in the Atlantic and Prairie regions. In B.C. and Ontario, by contrast, house prices in many centres have gone up by more than incomes, in some cases (such as Toronto, Vancouver and Victoria) by a significant amount. Most of the improvement in affordability in the 1990s has come from lower mortgage rates.■

For information on how to purchase the report, call 1-800-668-2642.

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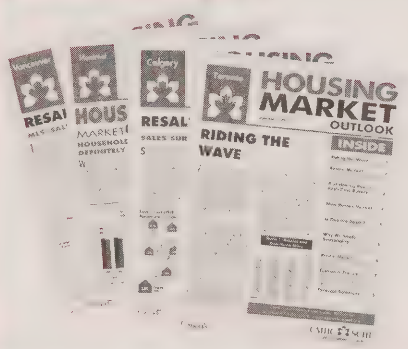

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continued from page 6

ratio of unsecured debt to income for unmarried women was 1.16, compared to 0.93 for unmarried men. Part of the reason the unmarried women have more difficulty is that they have more dependents than the men. In the survey, 42 per cent of unmarried women had at least one dependent, compared to only 19 per cent for unmarried men.

Macroeconomic statistics poor leading indicators of bankruptcy

In conjunction with this study, Industry Canada examined Statistics Canada data on actual personal bankruptcies each year to see if the number could be linked to various macroeconomic statistics, such as unemployment, GDP, and debt:income ratios. During some time periods, cyclical movements in the number of bankruptcies did move in line with these statistics. For example, a decline in the debt:income ratio between 1980 and 1984 was followed, with a lag, by a drop in the number of bankruptcies between 1982 and 1985. These types of co-movements, however, did not occur consistently, and in general, the study concluded that broad economic statistics are not very good at explaining long-term changes in the number of bankruptcies. This is primarily due to the fact that people seeking bankruptcy protection are a diverse group facing different social and economic circumstances.■

To obtain a copy of the complete study, **An Empirical Study of Canadians Seeking Personal Bankruptcy Protection,** please contact Keith Robinson, Office of Consumer Affairs, Industry Canada, (613) 952-2951.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. The affordability indicators and the housing forecasts are based on the expertise of local market analysts across the country.
The national contributors are Greg Goy, Bruno Duhamel and Brian Sparks. Comments and requests for additional information may be referred to Greg Goy, Manager,Products and Services, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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$25.00 per issue
Cette publication est aussi disponible en français sous le titre *Marchés de l'habitation canadiens*
Numéro de catalogue CHMSF
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ISSN 1188-4487 — Printed in Canada
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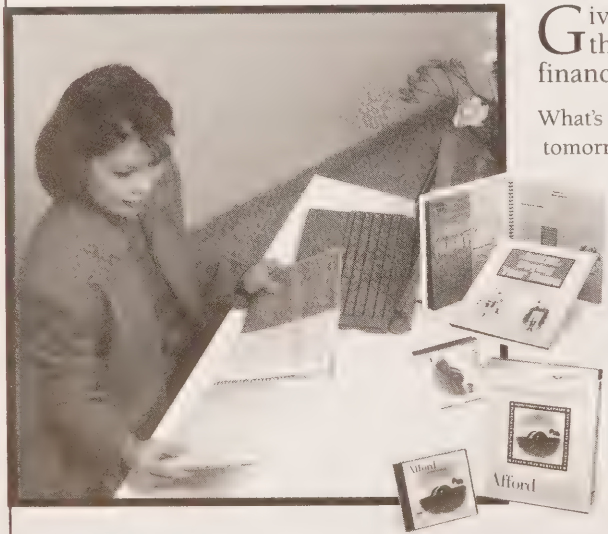

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CMHC Market Analysis Centre

Second Quarter 1998

Housing demand will push residential construction up in 1998

CMHC's latest local market forecast shows that new home markets in most of Canada's 27 major cities will continue their upward direction this year. Housing starts in all major locations should increase by 3.1 per cent. On the other hand, resales will drop 3.2 per cent while average resale prices go up.

Housing market activity in 1998 will be as impressive as any in recent years and will provide interesting business opportunities for builders, real-estate agents, lenders and suppliers.

Total housing starts will grow by more than 3 per cent this year, with gains in 15 of the 27 major markets. Resales will decline by 3.2 per cent following a 3.4 per cent gain in 1997. Notwithstanding this overall drop, 12 centres will post higher resale figures in 1998.

Most of the growth in residential construction will come from the multiple market, reflecting further interest in condominium units in some centres. Multiple starts will climb 7.3 per cent.

One of the key factors behind housing demand in 1998 will be employment growth. By improving income prospects for home buyers, new jobs act as a consumer confidence builder. In the 27 major centres overall, CMHC forecasts a 2.3 per cent increase in employment this year, compared to 2.4 per cent in 1997. Employment gains will be recorded in 25 of these centres.

This will be the third consecutive year of residential construction expansion, but it will reflect very different circumstances. More buyers will be considering new homes because the average price of resales was pushed up in many centres by sustained resale growth in 1996 and 1997. In some centres as well, the lower supply of new listings will not keep pace with demand.

Another change in housing markets in 1998 is the return of move-up buyers. Last year's low mortgage rates caused many households to abandon rent in favour of mortgage payments and allowed home owners with equity to venture into housing markets. This trend is reflected in the 1998 forecast. More construction is expected, along with higher prices for existing homes. Pent-up demand from first-time buyers has declined significantly in some markets, however, and this type of buyer will not be as prominent this year.

continued on page 4

FORECAST HIGHLIGHTS

- ***Housing starts in major centres will go up by 3.1 per cent, following growth of 23.8 per cent last year.***
- ***Residential construction will increase mainly in the multiple unit sector, which will grow by 7.8 per cent.***
- ***The low supply of existing homes will raise the average price of resale homes in most centres. This will especially be the case in the Prairies region, with significant price hikes in Calgary, Edmonton, and Saskatoon.***
- ***Low inventories of resale homes will restrain activity in many centres. However, overall activity remains near 1997 levels and 12 of 26 centres will post higher resale volumes.***
- ***Employment will remain a key to housing activity in metropolitan areas. On average, there will be 2.3 per cent more jobs in 1998 in major urban centres, with growth in 25 centres.***

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Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT+ APT. STRUCTURE VACANCY RATES OCTOBER %
Victoria	1996	145,200		1,142		-7.1	586		319,000		5,388		231,145		4.1
	1997	151,400	4.3	1,311	14.8	-3.0	609	3.9	314,950	-1.3	4,986	-7.5	235,976	2.1	3.5
	1998**	155,300	2.6	1,235	-5.8	0.0	595	-2.3	318,000	1.0	4,765	-4.4	236,000	0.0	3.2
Vancouver	1996	925,000		15,453		-6.1	5,072		509,323		27,487		387,891		1.1
	1997	941,000	1.7	15,950	3.2	-3.2	4,685	-7.6	511,250	0.4	25,901	-5.8	378,881	-2.3	1.7
	1998**	949,000	0.9	15,400	-3.4	0.7	4,300	-8.2	495,000	-3.2	22,800	-12.0	367,500	-3.0	1.8
Edmonton	1996	454.400		3,634		-0.8	2,944		157,069		11,566		118,204		7.6
	1997	474,900	4.5	4,962	36.5	1.8	3,685	25.2	159,233	1.4	13,016	12.5	123,357	4.4	4.6
	1998**	489,900	3.2	5,600	12.9	5.0	4,100	11.3	169,000	6.1	12,700	-2.4	131,000	6.2	2.8
Calgary	1996	447,700		7,111		1.0	5,862		175,901		17,766		140,378		1.5
	1997	466,100	4.1	11,215	57.7	6.7	8,656	47.7	179,250	1.9	21,559	21.3	151,541	8.0	0.5
	1998**	488,100	4.7	12,500	11.5	7.0	9,300	7.4	188,000	4.9	20,000	-7.2	164,000	8.2	0.3
Saskatoon	1996	108,330		1,187		1.8	635		160,469		3,359		88,162†		0.7
	1997	112,220	3.6	1,120	-5.6	1.4	709	11.7	179,282	11.7	3,153	-6.1	98,270†	11.5	0.9
	1998**	113,000	0.7	1,100	-1.8	1.3	720	1.6	188,000	4.9	3,200	1.5	107,000†	8.9	0.5
Regina	1996	101,000		434		1.6	362		142,594		3,099		76,781†		1.9
	1997	102,000	1.0	516	18.9	3.8	370	2.2	147,368	3.3	2,926	-5.6	82,643†	7.6	1.5
	1998**	103,000	1.0	600	16.3	3.6	400	8.1	146,631	-0.5	2,800	-4.3	85,000†	2.9	2.0
Winnipeg	1996	345,500		1,135		0.9	838		145,455		9,831		85,560		6.0
	1997	352,300	2.0	1,518	33.7	1.4	1,192	42.2	154,144	6.0	9,717	-1.2	85,701	0.2	5.9
	1998**	359,500	2.0	1,600	5.4	1.6	1,250	4.9	156,000	1.2	9,725	0.1	85,700	-0.0	5.8
Thunder Bay	1996	61,800		296		-0.3	162		183,740		1,458		112,723		5.6
	1997	61,500	-0.5	266	-10.1	-0.6	184	13.6	177,792	-3.2	1,431	-1.9	111,608	-1.0	7.7
	1998**	61,500	0.0	294	10.5	-1.8	200	8.7	179,570	1.0	1,445	1.0	112,725	1.0	7.5
Sudbury	1996	79,500		346		-0.3	300		180,349		2,198		108,223		6.8
	1997	78,700	-1.0	281	-18.8	-0.6	242	-19.3	166,747	-7.5	1,901	-13.5	108,221	-0.0	7.2
	1998**	79,500	1.0	300	6.8	-1.8	261	7.9	175,000	4.9	1,915	0.7	109,000	0.7	6.5
Windsor	1996	134,000		2,300		0.4	1,629		184,153		5,171		121,088		2.8
	1997	133,900	-0.1	2,102	-8.6	3.6	1,574	-3.4	189,077	2.7	5,045	-2.4	124,631	2.9	4.5
	1998**	140,000	4.6	2,060	-2.0	1.2	1,400	-11.1	196,000	3.7	4,800	-4.9	128,000	2.7	3.6
London	1996	203,800		1,394		-1.0	804		185,768		6,770		127,261		6.0
	1997	210,400	3.2	1,807	29.6	0.9	1,309	62.8	179,761	-3.2	6,269	-7.4	130,534	2.6	5.1
	1998**	213,900	1.7	1,970	9.0	1.6	1,320	0.8	184,500	2.6	6,050	-3.5	133,000	1.9	4.4
Kitchener	1996	203,400		1,968		-0.3	1,339		176,326		4,666		133,754		1.8
	1997	204,500	0.5	2,171	10.3	0.7	1,539	14.9	176,201	-0.1	4,295	-8.0	141,402	5.7	1.9
	1998**	208,300	1.9	2,300	5.9	1.8	1,600	4.0	179,800	2.0	4,400	2.4	145,800	3.1	1.8
St. Catharines-Niagara	1996	164,900		987		1.0	663		182,840		2,866		121,655		5.6
	1997	161,700	-1.9	1,462	48.1	3.9	1,007	51.9	175,540	-4.0	2,849	-0.6	125,109	2.8	5.4
	1998**	164,200	1.5	1,405	-3.9	2.3	1,025	1.8	177,250	1.0	2,880	1.1	125,995	0.7	5.1
Hamilton	1996	308,500		2,642		-0.8	1,472		210,247		10,224		142,267		2.2
	1997	315,200	2.2	3,500	32.5	3.9	2,200	49.5	212,178	0.9	9,972	-2.5	151,538	6.5	3.1
	1998**	323,000	2.5	3,500	0.0	2.1	2,100	-4.5	221,000	4.2	9,700	-2.7	154,500	2.0	2.5

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT+ APT. STRUCTURE VACANCY RATES OCTOBER %
Toronto	1996	2,152,300		18,998		-1.3	10,152		298,723		55,779		197,870		1.2
	1997	2,240,000	4.1	25,567	34.6	2.2	14,203	39.9	288,410	-3.5	58,014	4.0	211,307	6.8	0.8
	1998**	2,307,000	3.0	27,000	5.6	1.4	13,247	-6.7	301,700	4.6	58,100	0.1	221,000	4.6	0.7
Oshawa	1996	129,750		1,563			1,216		183,340		N/A		N/A		3.7
	1997	136,000	4.8	2,064	32.1		1,736	42.8	184,319	0.5	N/A		N/A		2.4
	1998**	140,000	2.9	2,200	6.6		1,800	3.7	187,500	1.7	N/A		N/A		1.5
Ottawa	1996	393,600		3,066		-1.5	1,439		190,000		8,648		150,087		4.9
	1997	403,700	2.6	3,485	13.7	0.7	2,053	42.7	185,970	-2.1	9,427	9.0	154,469	2.9	4.2
	1998**	410,500	1.7	3,572	2.5	2.5	2,262	10.2	190,620	2.5	9,665	2.5	157,100	1.7	3.4
Hull	1996	131,080		1,044			528		119,000		1,766		98,239‡		7.7
	1997	128,130	-2.3	1,262	20.9		638	20.8	118,000	-0.8	2,071	17.3	95,226‡	-3.1	9.4
	1998**	128,000	-0.1	1,200	-4.9		640	0.3	117,000	-0.8	1,850	-10.7	96,500‡	1.3	10.0
Montréal	1996	1,557,600		7,556		0.0	3,781		134,492		21,816		111,989		5.7
	1997	1,590,600	2.1	10,508	39.1	0.0	5,203	37.6	132,365	-1.6	24,653	13.0	118,197	5.5	5.9
	1998**	1,630,600	2.5	10,500	-0.1	1.0	5,700	9.6	135,000	2.0	23,500	-4.7	120,000	1.5	5.6
Trois-Rivières	1996	62,800		486			229		91,000		853		75,700		8.0
	1997	61,000	-2.9	554	14.0		242	6	92,800	2.0	678	-20.5	75,700	0.0	8.6
	1998**	62,300	2.1	570	2.9		255	5	94,700	2.0	710	4.7	77,000	1.7	8.4
Sherbrooke	1996	66,450		797			309		104,800		903		84,800		6.6
	1997	65,600	-1.3	756	-5.1		419	35.6	106,400	1.5	951	5.3	88,000	3.8	7.5
	1998**	66,000	0.6	665	-12.0		415	-1.0	108,000	1.5	900	-5.4	89,800	2.0	7.1
Québec	1996	324,800		2,208		-1.4	1,006		96,200		4,767		84,867		6.5
	1997	319,400	-1.7	2,233	1.1	-0.4	1,247	24.0	95,850	-0.4	5,276	10.7	86,727	2.2	6.6
	1998**	324,400	1.6	2,150	-3.7	0.5	1,330	6.7	96,300	0.5	4,875	-7.6	87,200	0.5	6.3
Chicoutimi-	1996	64,170		308			237		85,021		1,478		70,800		5.4
Jonquière	1997	64,960	1.2	500	62.3		342	44.3	84,446	-0.7	1,419	-4.0	75,200	6.2	4.1
	1998**	66,560	2.5	420	-16.0		270	-21.1	84,000	-0.5	1,306	-8.0	73,700	-2.0	3.9
Saint John	1996	56,600		306		-1.0	217		113,167		1,346		82,066		9.1
	1997	56,800	0.4	234	23.5	-3.2	175	19.4	123,819	9.4	1,274	-5.3	86,171	5.0	8.2
	1998**	57,400	1.1	250	6.8	1.0	200	14.3	120,000	-3.1	1,400	9.9	85,500	-0.8	7.8
Halifax	1996	172,100		2,022		-2.0	1,578		122,613		5,442		116,350		8.7
	1997	173,400	0.8	2,065	2.1	1.0	1,385	-12.2	134,117	9.4	5,072	-6.8	122,166	5.0	7.7
	1998**	175,500	1.2	2,000	-3.1	2.0	1,300	-6.1	138,000	2.9	5,200	2.5	122,500	0.3	7.2
St. John's	1996	78,300		1,001		-1.1	524		117,500		1,915		94,142		15.4
	1997	79,800	1.9	932	-6.9	-2.1	522	-0.4	125,300	6.6	2,080	8.6	92,797	-1.4	16.6
	1998**	81,500	2.1	950	1.9	-0.5	550	5.4	126,000	0.6	2,125	2.2	93,000	0.2	14.0
Charlottetown	1996	26,300		265			229		123,300		372		97,700		4.0
	1997	26,000	-1.1	231	-12.8		187	-18.3	119,400	-3.2	421	13.2	97,300	-0.4	4.1
	1998**	26,250	1.0	240	3.9		200	7.0	120,000	0.5	400	-5.0	97,000	-0.3	4.0
ALL	1996	8,898,880		79,649			44,113				216,934				
METRO	1997	9,111,210	2.4	98,572	23.8		56,313	27.7			224,356	3.4			
AREAS	1998**	9,324,210	2.3	101,581	3.1		56,740	0.8			217,211	-3.2			

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1998 values are CMHC forecasts.*

† *Average MLS price of all types of units.*

‡ *Single and semi-detached.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

Housing demand will push . . . *continued from page 1*

New home market gets a larger share of housing demand

After a banner year with a 23.8 per cent increase in housing starts in 1997, activity will rise by still another 3.1 per cent in major urban centres. Residential construction activity should be higher in 15 of the 27 centres. Many centres are expected to ease back from unusually high levels of activity and return to more sustainable levels this year.

The strongest increases in total housing starts in 1998 will be in Regina (16.3 per cent), Edmonton (12.9 per cent), Calgary (11.5 per cent), Thunder Bay (10.5 per cent) and London (9 per cent).

In **Regina**, new home construction will reach 600 units as job growth leads the way to increased income prospects and higher household formation. Further, rising rents will fuel demand for new housing. Balanced market conditions for single-detached units and sustained demand will lift activity in this market segment. This situation is expected to continue throughout this year and next, although the lack of trade may limit activity gains.

Housing starts in **Edmonton** will show double-digit growth again this year, thanks to the continuation of favourable factors such as a growing economy, rising consumer confidence and increased in-migration. Total starts should reach 5,600 units while single-detached units, which will especially benefit from these factors, are expected to reach 4,100 units.

Last year, low mortgage rates and bullish investors helped multiple construction post significant gains. Multifamily starts are expected to go up an additional 17.5 per cent to 1,500 units in 1998. Overall, the supply of vacant lots is adequate and inventories are balanced in the Edmonton market.

The new housing market in **Calgary** will remain among the brightest features in the Canadian picture. Total starts are expected to grow 11.5 per cent to 12,500 starts in 1998.

Construction prospects in the coming months are promising, as builders have maintained low inventories and had a slightly higher stock of serviced lots in early 1998 compared to year-ago levels. Decreasing affordability and the continuing popularity of the

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condominium lifestyle will lift multifamily starts 25 per cent to 3,200 units. Increased activity is fuelled by an job growth rate above 4 per cent and higher earnings, as well as by higher levels of in-migration, which are supplying the city with more home buyers.

1998 Forecast Highlights

Per cent change in housing starts: 1997-98

Highest Change		Lowest Change	
Regina	16.3	Chicoutimi-Jonquière	-16.0
Edmonton	12.9	Sherbrooke	-12.0
Calgary	11.5	Victoria	-5.8
Thunder Bay	10.5	Hull	-4.9
London	9.0	St. Catharines-Niagara	-3.9

Starts in **Thunder Bay** are expected to grow by 10.5 per cent to 294, and return to 1996 levels. Both single-detached and multiple starts should post increases. Single starts will continue to be driven by good affordability, construction of modest units and a small amount of pent-up demand.

Starts in **London** will go up 9 per cent to 1,970 units as both single-detached and multiple units will post increases. Market demand for single units will mostly be targeted toward smaller-sized homes, with an estimated 60 per cent of starts of homes with less than 1,600 square feet. Homes with a 1,300-2,000 square footage will make up a larger share of the activity.

Those centres looking ahead to reduced construction activity in 1998 have experienced unusual circumstances in recent years. In many of them, construction will return to normal levels.

A good example is **Chicoutimi-Jonquière**, where the market was affected by the exceptional requirements that grew out of the summer 1996 floods. This year's output is expected to decrease by 16 per cent, from 500 units to 420. However, bright prospects for new housing lie ahead, as a new aluminum smelter in Alma will bring its share of new jobs. Builders will focus on low-priced single-detached units in order to attract home buyers from a very competitive existing home market.

In **Sherbrooke**, low mortgage rates have brought many buyers into the market, and construction will drop by 12 per cent to 665 units after two years of brisk activity. A moderate rise in multiple starts will not compensate for a decline in singles.

Major factors likely to contribute to slower activity are public service cuts, low job prospects and easing conditions on the resale market.

Even with a 5.8 per cent decrease, **Victoria's** new home market will still be strong. Falling to just below 600 starts this year, it will be at its second highest level since 1994. However, demand will slacken as consumer confidence weakens, prices level out and the provincial unemployment rate grows. The new house market will still remain balanced through 1998 as supply slows in step with demand. Inventories remain low because most new houses are sold before or during construction. Speculative building is discouraged by high lot costs and financing restrictions.

In **Hull**, activity will decrease by 4.9 per cent to 1,200 units as both single-detached and multiple units decline. The surplus of homes for sale and apartments available for rent will certainly not propel further demand for new homes. Builders' focus on first-time buyers over the past few years has resulted in a smaller pool of first timers.

Starts in **St.Catharines-Niagara** will decline 3.9 per cent to 1,405, following a bright performance in 1997. Despite expectations of lower activity, single homes priced above $150,000 will remain very popular.

Resale markets: higher average prices, fewer transactions

Resale markets will post another active year despite an expected 3.2 per cent decrease in units sold through MLS*. Sales will go up in 12 markets, while 14 will post lower sales. However, this lower activity will result from a lower supply of new listings in many markets, and this should generally lead to average price gains.

1998 Forecast Highlights

Per cent change in MLS sales: 1997-98

Highest Change		Lowest Change	
Saint John	9.9	Vancouver	-12.0
Trois-Rivières	4.7	Hull	-10.7
Ottawa	2.5	Chicoutimi-Jonquière	-8.0
Halifax	2.5	Québec	-7.6
Kitchener	2.4	Calgary	-7.2

In **Saint John**, resales will likely record another banner year, rising to 1,400 units from 1,274 in 1997. Prospects of low mortgage rates and attractive pricing will keep home buyers active on the resale market. Increased affordability has sparked interest for homes priced below $80,000 and those at the high end of the market.

Resales will bounce back 4.7 per cent in **Trois-Rivières** as demand from first-time buyers picks up steam again. It is estimated that 710 existing homes will change

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continued on next page

hands through MLS in 1998, about the average level of activity recorded since the beginning of the decade.

The balance between supply and demand will improve slightly in 1998. With the number of homes for sale remaining stable and sales increasing, the seller-to-buyer ratio will decrease. There should be about 14 sellers per buyer in 1998, compared to a ratio of 15 to one last year.

Ottawa's resale market is poised to post another record year. Sales of existing homes are forecast to advance by 2.5 per cent this year and to reach close to 10,000 units. Prospects of low mortgage rates and the strength of the local economy will be the main factors underlying the continuation of this growth in transactions.

Demand will come mainly from move-up buyers looking for larger homes. These buyers are back on the market after a couple of years on the sidelines. Demand for homes priced above $200,000 will strengthen further again this year. Low mortgage rates will allow first timers to afford a bungalow, which will support the relative strength in prices of these homes.

After a disappointing year in 1997, the resale market in **Halifax** will benefit from renewed interest in housing by move-up buyers. Sales should bounce back by 2.5 per cent to 5,200 homes, following a 6.8 per cent drop in 1997.

The families of many potential move-up buyers have grown over the past few years, and this has led to demand for larger dwellings. However, increased demand from move-up buyers will still be tartgeted toward affordable homes, since the price of many homes bought in the nineties did not appreciate.

Kitchener's resales should go up by 2.4 per cent to 4,400 units, for one of this market's best performances in the decade. Resale home demand will benefit from the job creation that took place throughout 1997 and is expected to continue this year.

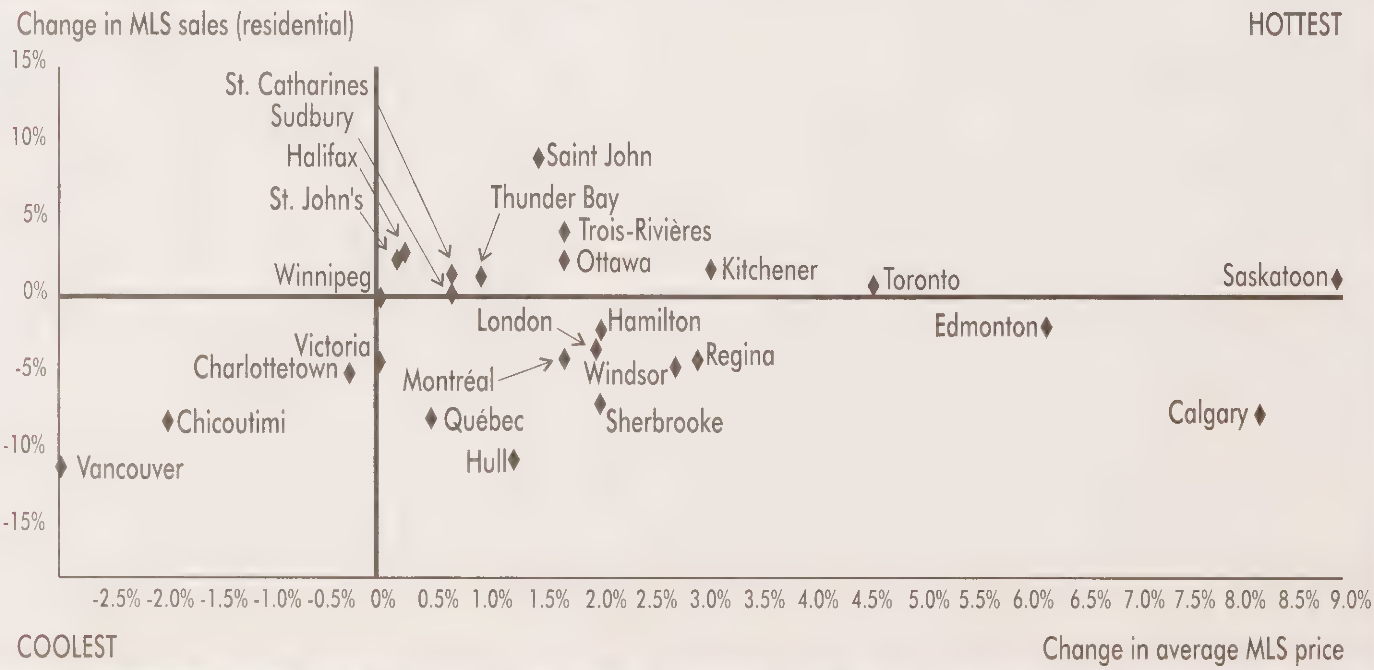
More move-up buyers will enter the market, but many will be limited by decreased equity as a result of price declines over the past decade or so. Overall, increased activity and rising supply of listings will keep Kitchener's resale market balanced.

The most important drops will take place in Vancouver (-12), Hull (-10.7), Chicoutimi-Jonquière (-8.0), Québec City (-7.6) and Calgary (-7.2). Most of these markets are coming off a year of brisk activity. Markets in Calgary will be limited by the supply of listings while the effects of Asian instability will lower economic prospects in Vancouver.

Hit hard by the Asian financial crisis and rising unemployment, resale markets in **Vancouver** will experience a 12 per cent drop to 22,800 units. Lower demand from offshore migrants and lower demand pressures from interprovincial in-migration will fail to provide enough boost to existing home demand.

In **Hull**, lower demand from a smaller first-time buyer pool will cause resales to drop 10.7 per cent to 1,850 units. The abundance of homes available in 1998 will provide buyer's market conditions. Activity will also be restrained by weak job creation, and the

Hottest and Coolest Markets for Resales in 1998



resulting lack of potential home buyers.

Resales will drop by 8 per cent in **Chicoutimi-Jonquière**, to 1,300. Activity will understandably slow down after exceptional demand in 1997, when households forced from their homes by the 1996 floods had to relocate. However, the employment outlook is promising, in particular with the construction and launch of a new aluminium smelter, and new jobs should support sales over the next few years.

After a record year in 1997, **Québec City's** resale market will go back to a more sustainable level of 4,875 units, a 7.6 per cent drop. Despite this expected decline, low mortgage rates and an abundant supply of resale homes should provide home buyers with more negotiating power and keep activity brisk.

Strong demand in **Calgary** over the past two years has drawn down resale inventories. The scarcity of new listings will limit the total number of resales to 20,000 units in 1998. However, new listings should come on stronger and help rebuild inventories. Shortages will develop in some areas, in particular for mid-priced homes, from $130,000 to $175,000.

Resale markets: a positive pricing environment in 1998

Despite the slight drop in resales expected this year, a favourable economic outlook and more balanced resale market conditions will lead to price gains in many urban markets.

The graph showing resale price and activity gains on page 6 shows this trend. While activity gains are mixed, there is no doubt about the upward trend of average prices. Most of the centres are in the right part of the graph, reflecting price gains expected to materialize in 1998. Less dynamic centres, showing no or few price gains, are located on the left part of the graph.

The average resale price for a single home is set to increase by more than 1.5 per cent in 13 cities out of 26. The highest increases will take place in Saskatoon (8.9 per cent), Calgary (8.2 per cent) and Edmonton (6.2 per cent).

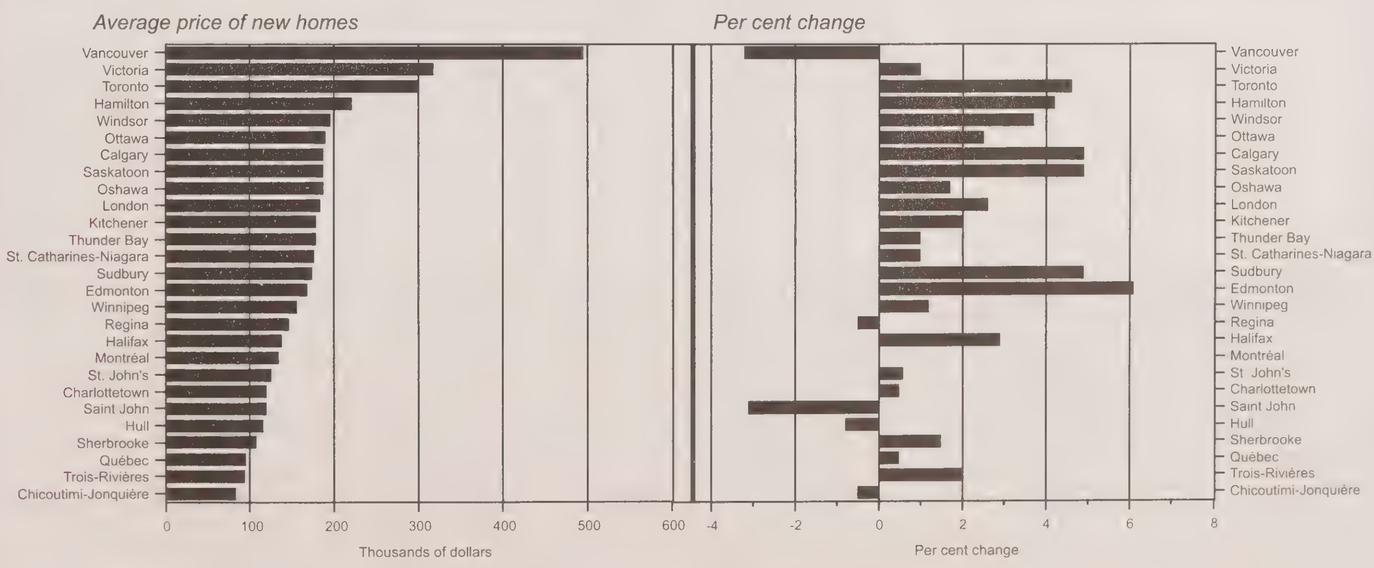
A relatively low supply of new listings of existing homes will prevent MLS sales from improving in many markets this year, but the scarcity of homes for sale will boost prices up. Further, low mortgage rates along with current economic conditions will lead more home buyers to make a move. Higher prices have revived move-up buying, as many home owners were successful in selling their home at a price near their expectations.

New home prices: generally upward in 1998

With a relatively low supply and higher prices for existing homes, many buyers will seriously consider buying a new home. As a result of this increased demand, starts will increase and so will new home prices. An important indicator of such price pressures is the New Housing Price Index According to the CMHC forecast, this price index will be up in 17 of the 21 cities surveyed, up from 13 cities in 1997. The Prairies remain the brightest spot, with three of its cities among the five posting the

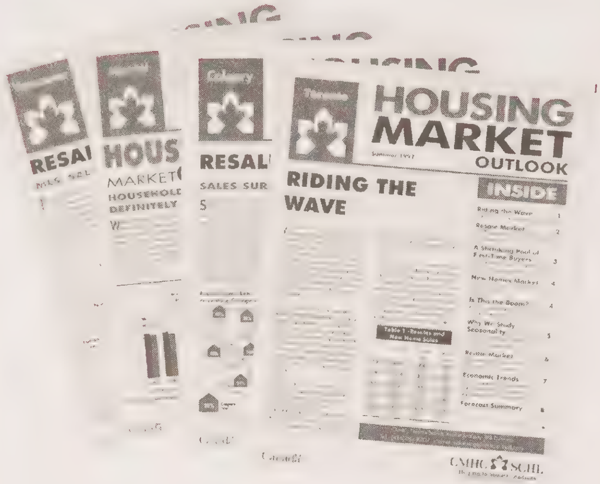
continued on page 9

New Home Prices up in Most Centres in 1998



Source: CMHC

HOUSING MARKET OUTLOOK



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Housing demand will push . . . *continued from page 7*

highest increases in 1998. For the second consecutive year, the greatest increase should occur in Calgary, where particularly strong housing demand, low supply of existing homes and very positive employment conditions all support construction activity. This year's hike will be 7 per cent.

Ranked second, Edmonton's new home market is also poised for another good year. An expanding economy and a low level of active listings of existing homes will lead to much of the demand and raise new home prices by 5 per cent. Regina will have the third greatest increase, of 3.6 per cent.■

DEFINITIONS:

LOCAL HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment

The number of people employed in the CMA in all industries in a given year.

Total Housing Starts

Total number of starts for all housing types for the year.

Single Housing Starts

Total number of single housing units initiated during the year.

New House Price Index

A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price

The weighted average price of all units sold during the year.

Number of MLS Sales (residential)

Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price

Weighted average price of single family homes sold through MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate

Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

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ISSN 1188-4487 — Printed in Canada

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Home prices back near early-90s levels in most markets

An analysis of average prices for existing homes sold through MLS for the past three years shows that a recent upturn in average prices has offset many of the losses recorded in the early nineties. Despite the 1995 trough, which translated into lower prices and resales, home prices rose faster than inflation in 13 of 26 major cities in Canada.

Losses recouped in most centres

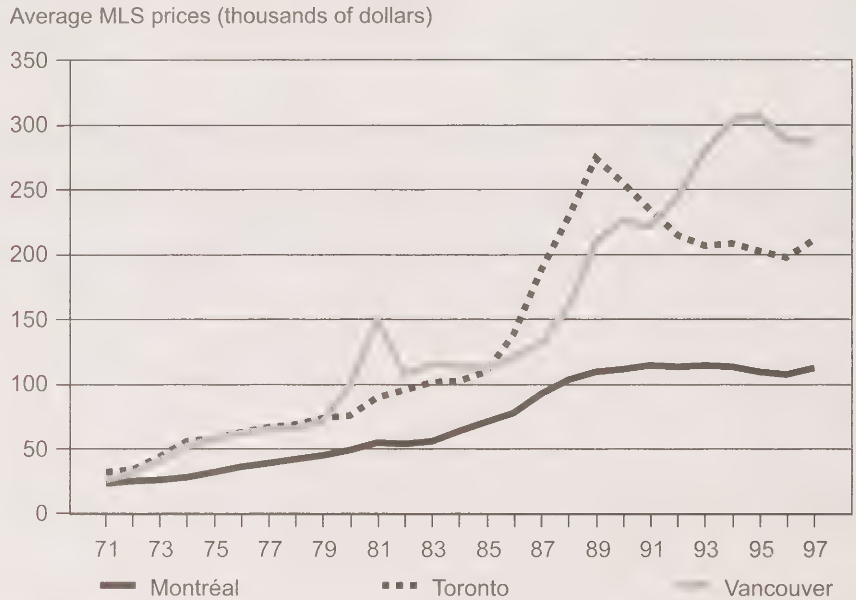
The revival of many existing home markets in Canada has allowed average prices to recoup losses incurred earlier in the decade. Average MLS prices in nominal terms, a commonly used indicator for existing homes, indicates that nine of the 26 major centres recovered past price declines while another eleven made gains from levels early in the decade.

Most local gains were moderate but some centres with scarce listings, resulting from increased resale activity, did very well. The most notable gains between 1995 and 1997, expressed as an annual growth rate, were in Saskatoon (6.2 per cent), Charlottetown (5.4 per cent), Calgary (2.8 per cent), Sherbrooke (2.8 per cent) and Regina (2.6 per cent).

The three main markets in Canada have followed divergent paths over the past years. With some price buildup, Montréal and Toronto have nearly recovered the losses of 1994 and 1995. Although prices in Toronto seem to have more potential for growth than in Montréal, they still have a long way to go to match levels of the early nineties. However, over the

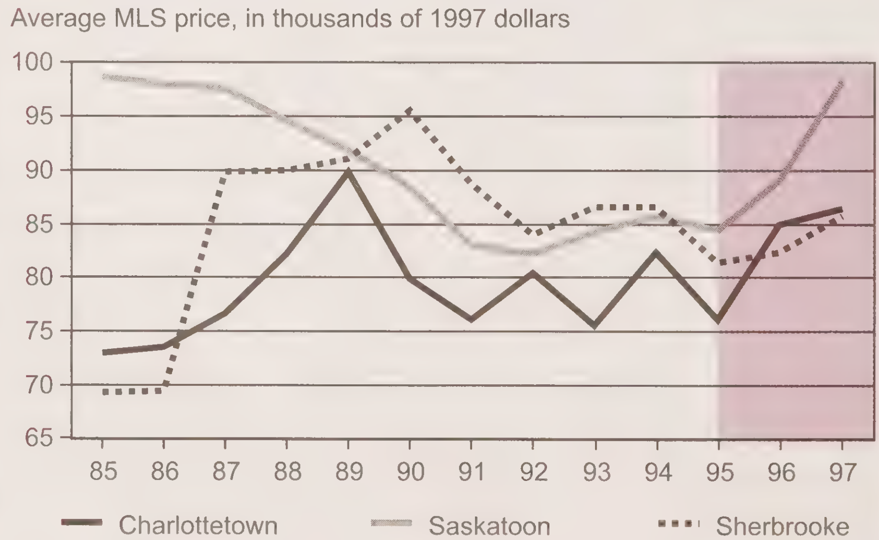
continued on next page

Main markets on divergent paths



SOURCE: CMHC.

Markets with most vigorous real price increases 1995-1997



SOURCE: CMHC.

next two years, favourable economic and job market conditions, along with in-migration from other Canadian regions and elsewhere, are expected to fuel price increases in Toronto.

Average house prices in Vancouver have been following a different trend, declining since 1994. The impact of the Asian crisis on the local economy will likely put additional downward pressure on house prices.

Implications of low inflation in the 1990s

With low inflation in the Canadian economy over the past few years, many analysts have begun to compare real home price gains — that is, nominal price gains less inflation. That kind of comparison could offer a much more accurate picture of what has happened over the past seven years and a better idea of price trends over the past 26 years.

Although annual nominal price gains were actually smaller between 1995 and 1997 than between 1971 and 1997, real price increases show much lower gaps. Further, 6 centres have posted higher annual growth rates of real prices over the past three years than over the 1971-97 period. In 1998, price increases in some centres may lead to real price gains in the 2-3 per cent range.

Because these home price indicators reflect average price levels of different sets of homes and locations, these conclusions may not reflect the experience of individual home owners.■

Annual Per Cent Change in Average Resale Homes

	Average Prices	1971-1997 Annual per cent chg		1991-1997 Annual per cent chg		1995-1997 Annual per cent chg	
	1997	Nominal	Real [1]	Nominal	Real [1]	Nominal	Real [1]
SASKATOON	98270	6.8	1.4	3.3	1.3	6.2	5.2
CHARLOTTETOWN[2]	86403	6.3	1.2	2.8	1.0	5.4	4.3
CALGARY	143305	6.9	1.4	1.4	-0.7	2.8	1.3
SHERBROOKE*	85711	5.1	0.5	0.4	-1.3	2.8	1.7
REGINA	82643	6.1	0.6	1.9	-0.2	2.6	1.5
HAMILTON*	151538	6.9	1.2	-1.1	-2.7	2.4	1.2
HALIFAX	109827	5.8	0.4	1.5	-0.2	2.2	1.0
WINDSOR*	125714	6.7	1.0	2.1	0.5	2.0	0.9
KITCHENER	141387	5.8	0.2	-1.5	-3.1	1.4	0.3
TORONTO	211307	7.3	1.5	-2.3	-3.9	1.3	0.2
WINNIPEG	86040	5.9	0.2	0.6	-1.5	1.2	-0.2
VICTORIA**	218398	8.6	2.9	3.9	1.8	1.2	0.6
CHICOUTIMI[2]*	71554	3.2	- 0.3	0.7	-1.0	1.2	0.2
ST. JOHN'S[3]	92797	4.3	- 0.7	0.5	-1.3	1.2	0.0
SAINT JOHN	86171	5.8	0.3	1.3	-0.5	0.9	-0.2
ST.CATHARINES-NIAGARA*	125109	7.1	1.4	-0.3	-1.9	0.8	-0.4
MONTRÉAL	112362	5.9	0.4	0.1	-1.7	0.7	-0.3
LONDON*	131382	7.2	1.4	-0.3	-2.0	0.7	-0.4
EDMONTON	111587	5.8	0.3	1.3	-0.7	0.4	-0.9
THUNDER BAY	111608	7.2	1.6	1.3	-0.7	0.3	-0.9
OTTAWA	143866	6.0	0.5	0.2	-1.7	0.2	-0.9
TROIS-RIVIÈRES	73709	5.5	-0.1	1.0	-0.8	0.0	-1.0
QUÉBEC	84778	4.2	-1.2	0.3	-1.5	-0.5	-1.5
HULL	90275	5.6	0.2	0.6	-1.0	-1.4	-2.4
SUDBURY*	108521	5.4	-0.3	-0.0	-1.6	-1.5	-2.6
VANCOUVER	287094	9.2	3.5	3.0	0.8	-2.3	-2.7

1 Nominal price less inflation
2 1971-1997 (P.E.I. average price)
3 1981-1997
4 1975-1997
* Provincial CPI
** Vancouver CMA CPI
***SOURCE:** Multiple Listing Service Annual Report, Canadian Real Estate Association, various years.*

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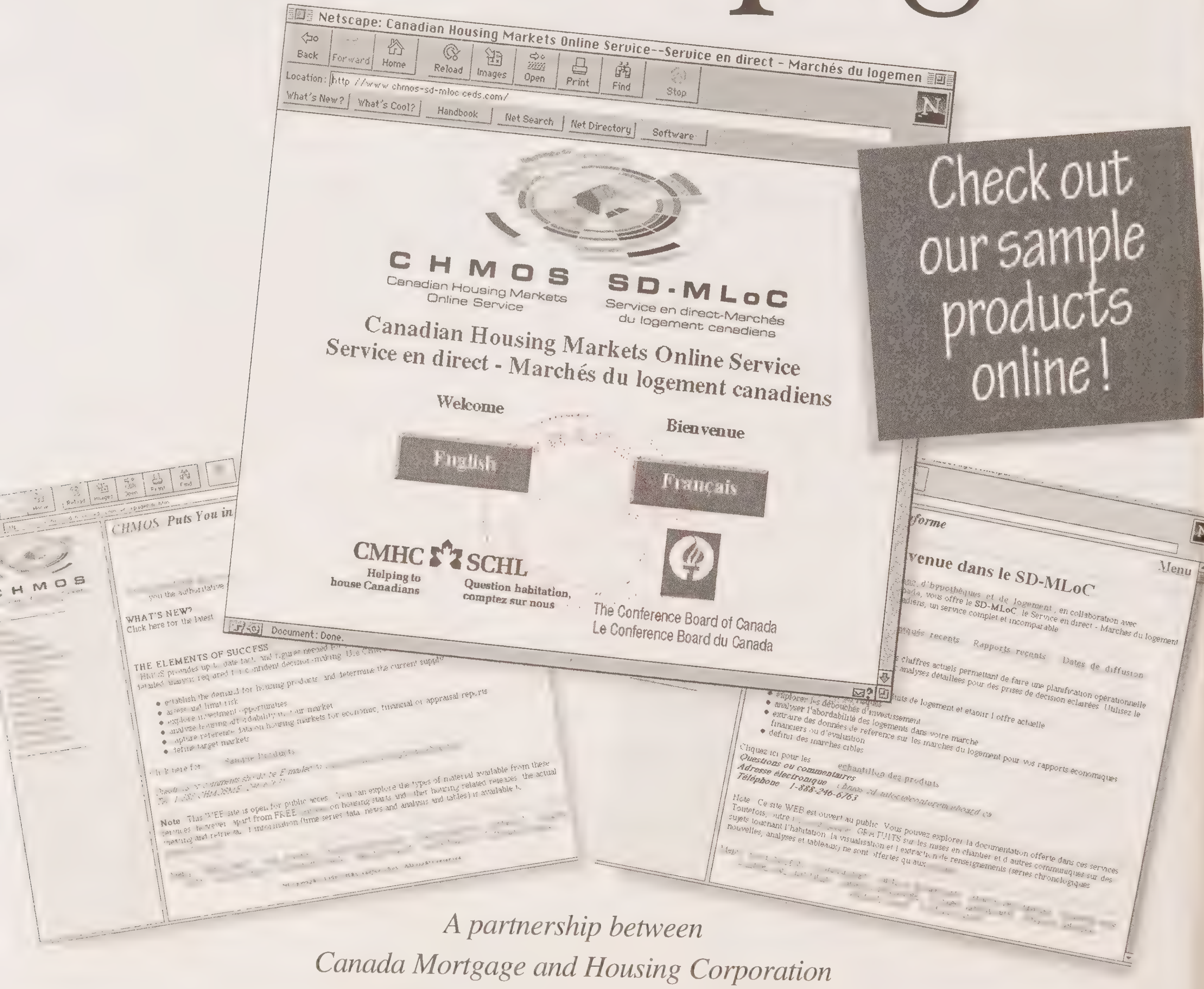

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CMHC Market Analysis Centre
Third Quarter 1998

Affordability retreats from 1997 record

After reaching a record level of 40.5 per cent in the first six months of 1997, CMHC's affordability indicator dropped significantly in the second half of the year and continued downward in the first half of 1998. The mid-year affordability rate of 31.4% is the lowest level since the beginning of 1995. In the past year, only one metropolitan area, Saint John, New Brunswick, was able to buck the general trend. It now boasts the highest affordability rate in the country (56.7%).

In the vast majority of urban centres, the percentage of renters who can afford to buy a home today is much lower than it was a year ago. This year, Montréal Trois-Rivières, Sherbrooke and St. John's stand out as exceptions, having regained part of the ground lost in the second half of 1997. In most other metropolitan areas, the downturns were quite considerable.

The greatest percentage decline in affordability took place in Winnipeg, followed, in order, by Ottawa, Oshawa and Regina.

Higher house prices push down affordability indicator

The past year was one of the best years for the Canadian economy this decade. Labour market conditions improved and, while household incomes progressed very slowly, mortgage interest rates remained relatively low and stable. Benefitting from strong economic growth, housing markets were very

continued on page 6

The percentage of renters who can afford to buy a starter home — 1996 to 1998

(Ranked from highest to lowest based on total households first half of 1998)

Census Metropolitan Areas (CMA)	1st half 1996 Total	2nd half 1996 Total	1st half 1997 Total	2nd half 1997 Total	1st half 1998 Total
Saint John	51.2	54.1	54.4	55.6	56.7
Chicoutimi	55.5	56.5	57.8	54.9	54.0
St. John's	47.7	50.5	51.0	48.8	49.8
Trois-Rivières	47.1	49.8	49.1	44.1	48.5
Halifax	48.7	52.1	51.1	52.7	45.4
Charlottetown	48.2	51.0	50.4	51.1	43.2
Hull	44.1	47.5	49.2	45.2	43.0
Thunder Bay	44.2	47.0	47.5	44.8	42.7
Québec	45.8	46.1	49.4	42.8	42.2
Edmonton	45.4	47.8	48.9	45.1	42.2
Sherbrooke	41.6	41.3	44.0	40.5	41.1
Calgary	44.0	45.7	45.8	40.2	39.5
Sudbury	40.8	43.4	44.4	41.6	38.8
Regina	46.5	49.0	48.0	44.5	36.0
Montréal	40.4	43.0	45.1	34.4	35.2
Saskatoon	44.0	45.3	43.8	42.3	34.8
Oshawa	40.5	43.0	45.4	41.7	33.3
Winnipeg	41.2	44.0	44.2	41.0	31.8
St. Catharines	37.6	42.4	42.4	39.3	31.5
Kitchener	35.8	39.5	38.3	36.8	30.7
Windsor	34.6	38.4	37.6	35.5	30.3
London	35.8	37.7	40.1	33.3	29.3
Victoria	25.5	29.8	32.1	29.3	28.7
Ottawa	34.1	38.2	38.6	34.0	26.5
Hamilton	31.6	34.9	34.0	31.4	25.4
Toronto	30.2	33.4	33.6	28.0	22.9
Vancouver	26.7	28.4	29.1	22.0	19.6
Metropolitan Area Total	37.0	39.6	40.5	34.5	31.4

Source: Canadian Housing Markets.

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Supply Affordable to Potential First-Time Buyers First Half of 1998

CENSUS METROPOLITAN AREA (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1998 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Max. Affordable	56,152	211,581	50.4	Newer† Townhouse, Older‡ Bungalow	33.2
	Regular (10%)		185,068	38.2	Older Townhouse, New Condo Apt.	22.3
	FHLI (5%)		162,795	26.6	Condo Apartment	12.6
Vancouver	Max. Affordable	63,423	252,651	48.1	Newer Townhouse	51.7
	Regular (10%)		234,739	37.8	Older Townhouse, New Condo Apt.	44.9
	FHLI (5%)		169,231	23.0	Newer Apt. Condo	19.5
Edmonton	Max. Affordable	48,044	170,706	80.8	2-Storey, Luxury Condo	73.0
	Regular (10%)		123,157	63.4	Small Bungalow, Split-Level, Bi-Level	45.9
	FHLI (5%)		96,168	44.5	Condo, Duplex	5.1
Calgary	Max. Affordable	52,446	196,127	62.8	New 2-Storey, New Split-Level	74.1
	Regular (10%)		152,731	33.8	New Row Condo, Existing Bungalow	36.9
	FHLI (5%)		118,871	30.0	New 2-Storey, Apartment Condo	7.9
Saskatoon	Max. Affordable	51,361	173,576	84.5	Bungalow	82.0
	Regular (10%)		108,098	50.0	Bungalow	28.7
	FHLI (5%)		84,889	30.3	Bungalow	1.7
Regina	Max. Affordable	53,969	164,067	85.0	Bungalow	81.2
	Regular (10%)		95,053	57.7	Bungalow	6.3
	FHLI (5%)		71,256	39.0	Bungalow	2.1
Winnipeg	Max. Affordable	44,992	132,607	83.5	Bungalow	32.6
	Regular (10%)		95,053	71.1	Bungalow	5.3
	FHLI (5%)		69,573	45.0	Bungalow	0.3
Thunder Bay	Max. Affordable	52,090	180,734	88.4	All Types	71.0
	Regular (10%)		125,694	67.9	Bung., 1½ Storey, Row Condo, Apt. Condo	11.6
	FHLI (5%)		90,695	40.4	Bung., 1½ Storey, Row Condo, Semi-Det.	0.0
Sudbury	Max. Affordable	50,550	173,322	89.0	2-Storey	45.0
	Regular (10%)		124,744	64.0	Bungalow	6.7
	FHLI (5%)		89,172	27.0	Bungalow	0.0
Windsor	Max. Affordable	48,360	166,890	67.1	Bungalow,1½ Storey	70.2
	Regular (10%)		131,521	47.2	Bungalow, 1½ Storey	45.0
	FHLI (5%)		103,322	25.0	Bungalow, 1½ Storey	1.1
London	Max. Affordable	47,705	166,458	75.7	Bungalow, Row Condo	60.4
	Regular (10%)		139,703	60.1	Bungalow, Row Condo	32.1
	FHLI (5%)		100,366	29.0	Bungalow, Row Condo	0.2
Kitchener	Max. Affordable	48,996	168,263	67.6	All Types	81.5
	Regular (10%)		147,164	54.1	Split-Level, Modest 2-Storey	64.0
	FHLI (5%)		115,625	33.0	Split-Level, Modest 2-Storey	4.1
St. Catharines-Niagara	Max. Affordable	45,885	152,612	66.0	Split-level, Modest 2-Storey	68.0
	Regular (10%)		120,766	46.9	Bungalow, Row and Apartment Condo	22.1
	FHLI (5%)		69,547	35.0	Modest Bungalow, Apartment Condo	0.0
Hamilton	Max. Affordable	49,324	173,008	65.5	All types	59.6
	Regular (10%)		161,110	60.6	2-Storey, Bungalow	45.9
	FHLI (5%)		118,228	33.0	1½ Storey, Semi	0.5

Supply Affordable to Potential First-Time Buyers First Half of 1998 (cont'd)

CENSUS METROPOLITAN AREAS (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1998 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Max. Affordable	60,996	218,071	61.8***	Single	66.2
	Regular (10%)		201,337	47.7***	Single, Semi	56.7
	FHLI (5%)		161,831	32.0***	Semi, Row	20.9
Oshawa	Max. Affordable	56,719	198,511	N/A	N/A	84.0
	Regular (10%)		163,708	N/A	N/A	67.4
	FHLI (5%)		95,864	N/A	N/A	0.0
Ottawa	Max. Affordable	53,889	176,869	72.0	2-Storey, Bungalow	87.0
	Regular (10%)		153,231	60.8	Bungalow, Row House	72.8
	FHLI (5%)		123,312	32.0	Row House	11.0
Hull	Max. Affordable	46,141	140,617	91.9	Semi	74.2
	Regular (10%)		103,892	63.8	Semi	35.1
	FHLI (5%)		76,709	31.4	Semi	6.5
Montréal	Max. Affordable	47,261	148,612	70.7	All Types	80.1
	Regular (10%)		116,415	47.1	All Types	62.4
	FHLI (5%)		86,524	17.3	Bungalow, Condo	18.5
Trois-Rivières	Max. Affordable	40,502	117,638	77.4	All types	85.7
	Regular (10%)		75,253	35.1	All types	44.9
	FHLI (5%)		62,460	26.6	All types	18.4
Sherbrooke	Max. Affordable	39,971	119,186	70.4	All Types	85.7
	Regular (10%)		88,074	40.7	Older Bungalow	66.3
	FHLI (5%)		70,718	17.0	Older Bungalow	56.1
Québec	Max. Affordable	43,913	125,337	74.6	All Types	74.2
	Regular (10%)		90,127	46.3	All Types	28.3
	FHLI (5%)		73,529	20.5	All Types Except 2-Storey	6.0
Chicoutimi-Jonquière	Max. Affordable	43,291	123,239	85.0***	Bungalow	83.9
	Regular (10%)		78,094	37.2***	Bungalow	45.2
	FHLI (5%)		63,963	24.3***	Bungalow	16.1
Saint John	Max. Affordable	44,394	136,136	87.2	Bungalow	85.6
	Regular (10%)		94,099	40.6	Bungalow	32.0
	FHLI (5%)		71,006	22.0	Bungalow	4.1
Halifax	Max. Affordable	49,000	165,027	85.0	Splits	78.5
	Regular (10%)		123,968	65.0	Splits	41.2
	FHLI (5%)		88,566	22.0	Semi	6.1
St. John's	Max. Affordable	48,891	159,516	92.0	All Types	88.6
	Regular (10%)		105,133	51.9	Bungalow	38.6
	FHLI (5%)		82,997	30.0	Bungalow, Semi-Detached	2.0
Charlottetown	Max. Affordable	42,337	132,062	N/A	All House Types	74.4
	Regular (10%)		94,943	N/A	Bungalow	34.0
	FHLI (5%)		70,972	N/A	Bungalow	4.3

* See definitions section for explanation.

** Percentage of new dwellings sold at or below the range of affordable house prices.

† Newer is five years old or less.

‡ Older is ten years old or more.

*** Calculated using sales instead of active listings.

N/A is data not available from the local real estate board.

SOURCE: ***Canadian Housing Markets.***

Supply Affordable to Potential First-Time Buyers Last Half of 1997

CENSUS METROPOLITAN AREA (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1997 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Victoria	Max. Affordable	56,612	212,954	N/A	N/A	23.1
	Regular (10%)		184,699	N/A	N/A	10.7
	FHLI (5%)		157,952	N/A	N/A	6.2
Vancouver	Max. Affordable	64,012	252,248	41.0	Newer† Townhouse	52.6
	Regular (10%)		211,847	38.4	Older‡ Townhouse, New Condo Apt.	47.8
	FHLI (5%)		167,317	23.1	Newer Apt. Condo	21.7
Edmonton	Max. Affordable	49,044	172,341	85.5	2-Storey, Luxury Condo	74.9
	Regular (10%)		113,376	67.0	Small Bungalow, Split-Level, Bi-Level	26.8
	FHLI (5%)		94,151	44.6	Condo, Duplex	3.9
Calgary	Max. Affordable	53,075	194,731	N/A	N/A	74.7
	Regular (10%)		135,914	N/A	N/A	38.0
	FHLI (5%)		110,303	N/A	N/A	5.2
Saskatoon	Max. Affordable	51,869	172,107	86.3	Bungalow	89.3
	Regular (10%)		97,721	50.5	Bungalow	31.0
	FHLI (5%)		79,136	30.3	Bungalow	6.3
Regina	Max. Affordable	54,065	163,891	88.8	Bungalow, 1½ Storey	87.6
	Regular (10%)		86,319	67.0	Bungalow, 1½ Storey	16.0
	FHLI (5%)		68,624	39.2	Bungalow, 1½ Storey	0.0
Winnipeg	Max. Affordable	45,119	129,074	80.0	Bungalow	40.1
	Regular (10%)		86,358	68.0	Bungalow	8.0
	FHLI (5%)		67,373	44.9	Bungalow	0.3
Thunder Bay	Max. Affordable	52,197	177,850	88.9	All Types	65.1
	Regular (10%)		120,983	66.9	Bung., 1½ Storey, Row Condo, Apt. Condo	0.9
	FHLI (5%)		93,839	35.2	Bung., 1½ Storey, Row Condo, Semi-Det.	0.0
Sudbury	Max. Affordable	50,542	171,191	88.0	2-Storey	75.4
	Regular (10%)		116,000	69.0	Bungalow	24.6
	FHLI (5%)		94,965	40.2	Bungalow	1.1
Windsor	Max. Affordable	48,353	164,468	N/A	N/A	66.9
	Regular (10%)		124,505	N/A	N/A	39.5
	FHLI (5%)		101,803	N/A	N/A	0.8
London	Max. Affordable	47,698	165,584	N/A	N/A	64.2
	Regular (10%)		130,462	N/A	N/A	44.2
	FHLI (5%)		102,544	N/A	N/A	0.0
Kitchener	Max. Affordable	48,988	165,652	64.0	All types	74.9
	Regular (10%)		142,041	51.8	Split-level, Modest 2-Storey	56.0
	FHLI (5%)		113,385	25.3	Split-level, Modest 2-Storey	6.4
St. Catharines-Niagara	Max. Affordable	45,878	150,316	64.0	Split-level, Modest 2-Storey	67.5
	Regular (10%)		113,990	47.8	Bungalow, Row and Apartment Condo	28.2
	FHLI (5%)		92,852	35.5	Modest Bungalow, Apartment Condo	0.1
Hamilton	Max. Affordable	49,316	170,057	69.0	All types	54.4
	Regular (10%)		151,440	62.0	2-Storey, Bungalow	42.4
	FHLI (5%)		118,384	33.6	1½ Storey, Semi	0.0

Supply Affordable to Potential First-Time Buyers Last Half of 1997 (cont'd)

CENSUS METROPOLITAN AREA (CMA)	CATEGORIES OF AFFORDABLE HOUSE PRICES*	1997 INCOME $	RANGE OF AFFORDABLE HOUSE PRICES $	RESALE SUPPLY AFFORDABLE %	MOST PREVALENT HOUSE TYPE	AFFORDABLE NEW CONSTRUCTION** %
Toronto	Max. Affordable	60,873	211,885	65.7***	Single	66.0
	Regular (10%)		187,483	50.8***	Single, Semi	61.0
	FHLI (5%)		156,522	32.0***	Semi, Row	18.9
Oshawa	Max. Affordable	56,710	195,079	N/A	N/A	78.6
	Regular (10%)		152,986	N/A	N/A	54.2
	FHLI (5%)		122,871	N/A	N/A	0.1
Ottawa	Max. Affordable	54,364	172,820	N/A	N/A	85.9
	Regular (10%)		140,398	N/A	N/A	73.2
	FHLI (5%)		116,865	N/A	N/A	7.1
Hull	Max. Affordable	45,486	137,264	79.0	Semi	81.8
	Regular (10%)		96,773	60.0	Semi	40.1
	FHLI (5%)		79,045	26.2	Semi	7.2
Montréal	Max. Affordable	46,580	142,465	N/A	N/A	83.6
	Regular (10%)		107,513	N/A	N/A	68.7
	FHLI (5%)		87,786	N/A	N/A	20.3
Trois-Rivières	Max. Affordable	39,941	113,038	N/A	N/A	94.0
	Regular (10%)		73,069	N/A	N/A	69.2
	FHLI (5%)		64,092	N/A	N/A	13.4
Sherbrooke	Max. Affordable	39,417	117,031	67.4	All Types	78.7
	Regular (10%)		81,495	30.3	Older Bungalow	55.6
	FHLI (5%)		70,484	17.0	Older Bungalow	23.1
Québec	Max. Affordable	43,264	123,526	74.0	All Types	78.3
	Regular (10%)		83,520	45.3	All Types	34.9
	FHLI (5%)		72,156	19.7	All Types Except 2-Storey	3.1
Chicoutimi-Jonquière	Max. Affordable	42,691	117,771	85.6***	All Types	94.6
	Regular (10%)		75,161	40.9***	All Types	52.2
	FHLI (5%)		61,707	25.2***	All Types	26.7
Saint John	Max. Affordable	44,747	140,143	87.2	Bungalow	64.8
	Regular (10%)		81,086	43.9	Bungalow	18.4
	FHLI (5%)		70,516	31.0	Bungalow	0.0
Halifax	Max. Affordable	49,055	164,389	78.0	Splits	84.5
	Regular (10%)		110,293	50.0	Splits	38.2
	FHLI (5%)		86,347	22.0	Semi	3.4
St. John's	Max. Affordable	48,034	155,854	N/A	N/A	91.9
	Regular (10%)		98,488	N/A	N/A	50.1
	FHLI (5%)		80,334	N/A	N/A	0.0
Charlottetown	Max. Affordable	41,211	126,285	N/A	N/A	59.0
	Regular (10%)		90,919	N/A	N/A	14.5
	FHLI (5%)		71,413	N/A	N/A	0.0

* See definitions section for explanation.

** Percentage of new dwellings sold at or below the range of affordable house prices.

† Newer is five years old or less.

‡ Older is ten years old or more.

*** Calculated using sales instead of active listings.

N/A is data not available from the local real estate board.

SOURCE: *Canadian Housing Markets.*

continued from page 1

dynamic and the number of resale transactions reached a record level. Buoyed by a high level of confidence, better employment prospects and very favourable credit conditions, Canadians resumed their ties with the real estate markets.

For several months now, there has been renewed interest in the upscale market. This enthusiasm for more expensive properties seems to have spread to those who have been home owners for only a few years. As markets have been sluggish in most urban centres over the last few years, a good number of these buyers have chosen properties for which they likely could not accumulate a down payment of 25 per cent. The rush to the upscale market by buyers who require CMHC mortgage loan insurance has significantly driven up the average house price estimate used to calculate the income required to access home ownership.

This buying pattern also meant that a higher income was generally required for home purchases in almost all urban areas. As a result, home ownership became less accessible and affordability rates deteriorated.

Buying patterns affect affordability indicators

Other conditions have also contributed to a decline in the affordability rate. According to 1996 Census data, home ownership incentives over the past few years have left the renter pool less well-off, on average. As a result, first-time buyers are increasingly making use of CMHC programs requiring a five per cent down payment, instead of ten per cent, as used to be the case. Today's five per cent down payment program is generally used by less well-off households, those who have the greatest difficulty in entering the market and who opt for more modest products.

In contrast, the regular ten per cent down payment program is more likely to be used by experienced households who are financially more solid. These people can acquire more luxurious homes with the larger down payments that they can generally put together.

Thus, changes in starter home prices (traditionally related to purchases with a ten per cent down payment) are larger than the average resale prices in most areas.

As a result of these factors, CMHC has begun a discussion of how the supply and demand affordability indicators might be changed to better reflect today's market conditions. **(See article on page 7.)**

Affordable home supply remains high across the country

Resale market increasingly accessible to first-time buyers

Most urban centres with large increases in starter home prices also showed gains in supply of affordable existing houses. However, there was also a considerable supply of affordable housing in metropolitan areas where downturns were observed. In 1998, the only significant decreases in the percentage of affordable resale homes have occurred in the Calgary, St. Catharines-Niagara, Chicoutimi-Jonquière and Saint John metropolitan areas. In Calgary, the decline in affordable housing supply is clearly the result of very strong demand over the past two years.

Lower affordable supply of new homes

Prospects are less favourable for first-time buyers seeking new homes in 1998. The most affordable homes, accessible to buyers with down payments of less than ten per cent, became much more scarce during the first six months of 1998 than a year earlier. This may be a sign that builders have turned to more upscale products, for urban buyers enjoying better economic conditions and looking for more luxurious houses.

Few metropolitan areas managed to maintain as high a percentage of affordable homes as a year ago. Thunder Bay and Saint John were the only metropolitan areas with a greater supply in all three price categories. Only in Montréal, Sherbrooke and Québec, the supply increased for buyers with down payments of under 10 per cent. At the other end of the spectrum, the situation deteriorated for first-time buyers in four metropolitan areas in southern Ontario (Kitchener, St. Catharines-Niagara, Hamilton and Toronto) as well as in Hull, Winnipeg, Trois-Rivières and Halifax.■

Update on affordability measurement in Canada

A number of public and private agencies measure housing affordability in Canada. However, we do not all measure the same thing, and methods differ.

Generally, financial institutions that carry out this measurement adopt an overall approach based on temporal evolution of the ratio between holding costs (monthly mortgage payment, property taxes and heating) and average household pre-tax income.

For these indicators, movement is essentially related to mortgage rate fluctuations. This has especially been the case over the past few years, when household income and house prices have changed very slowly. These indicators are only of interest to major Canadian metropolitan areas and limit their analysis to provincial markets. Since housing markets are essentially local, this aggregation limits indicator relevance. Moreover, these indicators do not consider the phenomenon of rate reductions approved by lenders.

CMHC affordability indicators have a different objective. It targets groups for whom affordability matters most and considers only tenants who have sufficient income to become first-time buyers. CMHC publishes an indicator in 27 metropolitan areas across the country. This local coverage guarantees great sensitivity to actual market conditions. Always a leader, CMHC is constantly studying ways to enhance indicator construction so as to offer its clients quality information.

Affordability indicators at the crossroads

The socio-economic environment in Canada is changing rapidly. In just a few years, Canadian households have had to cope with a restructuring of the economy, the globalization of markets, the struggle to balance public finances, and lightning growth in communication and information technologies. At the same time, many Canadians have changed the way they use credit, consume and invest. The extent of change in the way households deal with money is obvious. Take for example the growth of mutual funds since the beginning of the decade and, at the same time, the rise in the level of household indebtedness.

Changes in consumption and investment patterns have also affected housing, a key use of disposable income. Most Canadians agree with public policy encouraging private home ownership. To support this policy, CMHC has for nearly ten years attempted to measure the precise ability of Canadians to afford homes. Affordability has been measured with two indicators:

***The supply indicator** calculates the percentage of new and existing homes for sale on the market at or below the maximum affordable house price and the average prices paid by home buyers who meet the eligibility criteria of CMHC's 5 % and 10 % programs. The maximum affordable house price is based on the average income (ascertained through census data) of all renting households in the 20 and 44 age group, but not low-income renters eligible for NHA social housing programs. The maximum acceptable gross debt service (GDS) ratio is 32 per cent, including mortgage carrying costs, property taxes and heating costs.*

***The demand indicator** determines the income required to purchase a property based on the average starter home price, including carrying costs. The indicator measures the percentage of households with an income that would yield a gross debt service (GDS) ratio of 32 per cent or lower — that is, the percentage of households that can afford to purchase the average starter home.*

CMHC wishes to examine if these indicators are still meaningful and determine how they could be improved. This article is the beginning of a discussion that could lead to a reformulation in the way supply and demand affordability indicators are calculated.

First Issue: Over the years, the household tax burden has increased and the gap between total income and disposable income has widened.

Both the supply and the demand indicators have traditionally been based on the average total (that is, gross) income of renter households. For supply, the figure is used to calculate the maximum affordable house price. For demand, it is used to discover how many households have sufficient income to buy a home.

A question has been raised as to whether average total household income accurately reflects ability to pay. This is because few households think of monthly carrying costs in relation to total income. Most households think of the amount they actually take home every month as their true income, and base their consumption and investment decisions on this disposable income.

The disposable income of Canadian households has been decreasing for several years, while the gap between disposable income and total income has widened. Indirect and income taxes have gone up and transfer payments have decreased. According to Statistics Canada, the actual average family income **after tax** in 1996 (in constant dollars) was close to five per cent lower than in 1980, while the average before-tax income went up by only one per cent over the same period.

Implications for the Supply Indicator

As the tax burden has become more significant, continued reliance on the average total income of households in calculating the indicator has gradually overestimated their ability to pay and the number of affordable homes on the market. Consistant with this change, the actual GDS ratio of households who take out mortgage loan insurance ranges between 18 and 25 per cent, depending on economic and business conditions and locale. The indicators are now using a 32 per cent GDS ratio. In fact, over the past few years, growing payroll taxes, duties, permits, etc. . . . have eroded the share of gross income households can spend on housing.

Implications for the Demand Indicator

The demand indicator attempts to determine the income level required to buy a home by examining carrying costs. However, this income level tends to be underestimated in an environment of increased taxation. In light of these factors, it might be possibe to establish a more realistic maximum GDS ratio for the purpose of this indicator.

Avenues to a Solution

1. The use of disposable income for certain categories of households (for example, those with one or two incomes, with or without children) would probably provide a more accurate picture of financial capacity. Yet, even disposable income is determined by a multitude of variables and using it will not eliminate problems. Nevertheless, using it would be a step in the right direction.
2. The question of the GDS ratio is more complex. GDS ratios for individual markets could give a better idea of the financial capacity of households to purchase homes. One possible approach would be to relate transaction prices in a given market to household after-tax income.

Second Issue: First-time buyers are not a readily recognizable group.

When affordability indicators were introduced,

continued on page 10

Costs and Incomes for Demand Affordability Indicator First Half of 1998

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL PROPERTY TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JAN-JUN. 1997	JAN-JUN. 1998	JAN-JUN. 1997	JAN-JUN. 1998	JAN-JUN. 1997	JAN-JUN. 1998	JAN-JUN. 1997	JAN-JUN. 1998	JAN-JUN. 1997	JAN-JUN. 1998	JAN-JUN. 1997	JAN-JUN. 1998
Victoria	172 964	185,068	1,085	1,160	1,639	1,699	639	629	1,275	1,354	47,817	50,780
Vancouver	211,847	234,739	1,292	1,472	1,614	1,638	465	465	1,464	1,745	54,914	65,421
Edmonton	113,376	123,157	711	772	1,333	1,351	720	656	881	997	33,020	37,397
Calgary	135,914	152,731	853	957	1,333	1,352	611	733	1,016	1,131	38,102	42,420
Saskatoon	97,721	108,098	613	678	1,662	1,700	640	681	804	961	30,153	36,035
Regina	86,319	93,128	542	584	2,347	2,347	621	661	776	975	29,096	36,562
Winnipeg	86,358	95,053	542	596	2,498	2,581	846	894	820	1,026	30,744	38,478
Thunder Bay	120,983	125,694	736	788	1,375	1,378	996	1,031	933	1,018	34,993	38,161
Sudbury	116,000	124,744	728	782	1,607	1,642	880	911	937	1,056	35,146	39,588
Windsor	124,505	131,521	781	824	1,808	1,857	735	791	991	1,134	37,172	42,527
London	130,462	139,703	785	876	1,824	1,930	735	791	998	1,197	37,438	44,906
Kitchener	142,041	147,164	891	923	2,177	2,182	735	791	1,138	1,286	42,693	48,233
St.Catharines-Niagara	113,990	120,766	715	757	2,080	2,165	676	732	934	1,118	35,013	41,923
Hamilton	151,440	161,110	950	1,010	2,139	2,159	735	791	1,191	1,370	44,679	51,367
Toronto	187,483	201,337	1,142	1,262	2,803	2,801	676	732	1,435	1,729	53,821	64,838
Oshawa	152,986	163,708	928	1,026	2,379	2,385	676	732	1,184	1,424	44,394	53,389
Ottawa	140,398	153,231	881	961	2,959	2,950	735	796	1,190	1,452	44,622	54,458
Hull	96,773	103,892	607	651	1,982	2,032	1,302	1,341	880	990	33,014	37,121
Montréal	107,513	116,415	627	730	2,013	2,078	1,290	1,338	898	1,076	33,657	40,353
Trois-Rivières	73,069	75,253	458	472	1,415	1,415	1,353	1,394	689	708	25,851	26,532
Sherbrooke	81,495	88,074	511	552	1,604	1,611	1,384	1,426	760	821	28,508	30,776
Québec	83,520	90,127	524	565	2,106	2,163	1,384	1,426	815	926	30,548	34,707
Chicoutimi-Jonquière	75,161	78,094	435	490	1,611	1,628	1,436	1,479	690	761	25,857	28,536
Saint John	81,086	75,900	509	476	1,200	1,205	1,150	1,208	705	677	26,429	25,374
Halifax	110,293	115,476	692	724	1,442	1,564	1,055	1,039	891	985	33,417	36,923
St. John's	98,488	97,500	571	611	1,109	1,110	1,298	1,314	774	796	29,020	29,859
Charlottetown	90,919	88,646	496	556	1,457	1,486	1,131	1,131	709	803	26,603	30,124

Source: *Canadian Housing Markets.*

Note that property taxes do not include rebates that are available in some provinces.

Costs and Incomes for Demand Affordability Indicator Last Half of 1997

CENSUS METROPOLITAN AREA (CMA)	AVERAGE STARTER HOUSE PRICE ($)		MONTHLY MORTGAGE COST ($)		ANNUAL PROPERTY TAXES ($)		ANNUAL HEATING COSTS ($)		MONTHLY TOTAL CARRYING COSTS ($)		INCOME REQUIRED TO CARRY HOUSING COSTS ($)	
	JUL-DEC. 1996	JUL-DEC. 1997	JUL-DEC. 1996	JAN-JUN. 1997	JUL-DEC. 1996	JUL-DEC. 1997	JUL-DEC. 1996	JUL-DEC. 1997	JUL-DEC. 1996	JUL-DEC. 1997	JUL-DEC. 1996	JUL-DEC. 1997
Victoria	172,104	184,699	1,111	1,144	1,635	1,667	619	632	1,299	1,336	48,709	50,098
Vancouver	201,888	240,876	1,288	1,492	1,590	1,614	451	465	1,458	1,666	54,663	62,464
Edmonton	108,456	124,650	700	772	1,316	1,333	643	720	863	943	32,379	35,381
Calgary	127,418	152,790	823	947	1,315	1,333	561	611	979	1,109	36,709	41,577
Saskatoon	88,851	102,705	574	636	1,625	1,662	630	640	762	828	28,557	31,057
Regina	80,056	93,651	517	580	2,107	2,347	611	621	743	828	27,874	31,035
Winnipeg	82,676	94,983	534	589	2,418	2,498	795	846	801	867	30,055	32,521
Thunder Bay	112,000	125,901	723	780	1,372	1,375	971	996	918	978	34,435	36,661
Sudbury	113,175	126,539	731	784	1,572	1,607	858	880	933	991	34,995	37,174
Windsor	115,965	132,530	749	821	1,760	1,808	685	735	952	1,033	35,713	38,741
London	125,515	145,334	810	900	1,723	1,824	685	735	1,011	1,114	37,910	41,765
Kitchener	131,983	148,782	852	922	2,171	2,177	685	735	1,090	1,164	40,875	43,669
St. Catharines-Nigara	107,091	121,412	691	752	1,997	2,080	645	676	912	982	34,182	36,821
Hamilton	141,597	161,725	914	1,002	2,119	2,139	685	735	1,148	1,242	43,041	46,559
Toronto	173,046	206,683	1,117	1,281	2,805	2,803	645	676	1,405	1,571	52,673	58,894
Oshawa	146,961	161,446	949	1,000	2,374	2,379	645	676	1,200	1,255	45,011	47,059
Ottawa	132,648	156,406	856	969	2,968	2,959	701	735	1,162	1,277	43,581	47,885
Hull	97,109	107,805	627	668	1,934	1,982	1,275	1,302	894	942	33,536	35,312
Montréal	101,000	128,881	652	799	1,951	2,013	1,244	1,290	918	1,074	34,434	40,267
Trois-Rivières	68,358	85,373	441	529	1,415	1,415	1,325	1,353	670	760	25,109	28,486
Sherbrooke	84,825	91,676	548	568	1,596	1,604	1,355	1,384	793	817	29,755	30,637
Québec	87,148	98,462	563	610	2,051	2,106	1,355	1,384	846	901	31,741	33,785
Chicoutimi - Jonquière	69,757	77,629	450	481	1,594	1,611	1,406	1,436	700	735	26,261	27,560
Saint John	77,375	79,300	500	491	1,194	1,200	1,063	1,150	688	687	25,786	25,768
Halifax	102,327	106,200	661	658	1,330	1,442	972	1,055	852	866	31,965	32,479
St. John's	90,250	97,350	583	603	1,108	1,109	1,205	1,298	775	804	29,076	30,142
Charlottetown	78,500	78,102	507	484	1,430	1,457	1,038	1,131	712	700	26,714	26,236

Source: ***Canadian Housing Markets.***

Note that property taxes do not include rebates that are available in some provinces.

continued from page 7

households who used the 10 per cent down payment program were considered to represent first-time home buyers. But insurance programs for home buyers have changed dramatically since then.

In 1992, first-time buyers became eligible to buy homes with down payments as small as five per cent. The First Home Loan Insurance Program, which made these low down payments possible, was originally a temporary measure, aimed at revitalizing the economy following the 1991-1992 recession. The program was subsequently extended and, earlier this year, it was made permanent and became available to all home buyers. This program change has made it very difficult to identify households that are buying a home for the first time.

Data clearly shows that buyers who pay only five per cent down are quite different from those who make a down payment of over ten per cent. It is clear that households purchasing a property for the first time make a growing use of the five per cent down payment program. As the five per cent down program has become available to every buyer, other circumstances have also changed. Prices have become more stable, and have even declined. It is not rare for buyers to purchase a second or third home with a down payment of under 25 per cent. These changes together have complicated our efforts to know the prices of houses purchased by first-time buyers.

Over the past few years, some observers have suggested to calculate the affordability indicators using 5 % program data or a combination of both regular and 5 %. Since the 5 % program was a temporary program, the construction of the indicator was not modified.

Implications for the Supply Indicator

There is less implication for the supply indicator. The supply indicator already indicates the percentages of homes affordable to buyers with a down payment of five per cent or ten per cent. However, the availability of 5% financing to all buyers since May this year will tend to over estimate affordable supply.

Implications for the Demand Indicator

Changes in mortgage insurance now make it difficult to know exactly who are first-time buyers. Given the growing gap between those purchasing with 5 % downpayment and those purchasing with 10 % downpayment, the demand indicator tends to underestimate the percentage of

continued on next page

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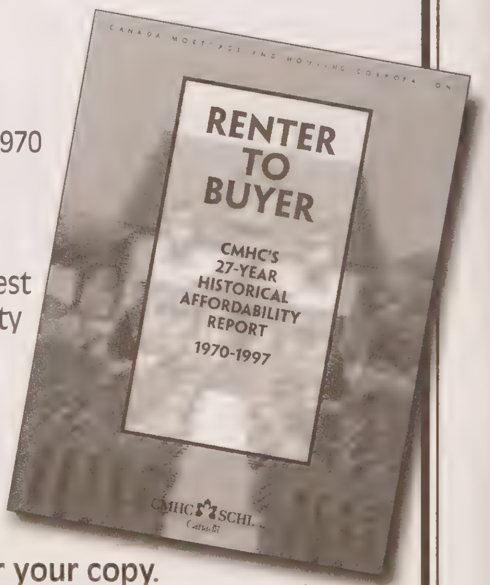

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continued from page 10
renters who can afford to buy a first home.

Avenues to a Solution

1. If our primary objective is to measure supply in terms of the number of affordable homes and to measure demand by knowing the number of renters who can afford to buy a home, it might be best to use the number of buyers with a five per cent down payment. This would yield indicators reflecting a minimum price threshold for today's buyers, just as were originally yielded by figures showing the number of buyers with ten per cent down. Prices calculated in this way would be a more accurate reflection of market conditions.
2. A mechanism already exists that will allow us to accurately evaluate starter home prices in metropolitan areas. We can use the automated mortgage loan insurance system (**emili**) to identify households that are truly first-time buyers.■

Calling All Readers

In order to enrich the discussion and gather as many innovative ideas as possible, CMHC's Market Analysis Centre is requesting your views on the avenues that we should pursue in view of refining our affordability indicators so that they may better reflect changing market.

Philippe Le Goff, Senior Economist
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DEFINITIONS:

Demand Affordability Indicators

Household Income — Household income is taken from the 1991 Census and inflated annually using CMA Consumer Price Index (CPI).

Percentage of Renters Who Can Afford — Represents renter households in the prime home buying age group of 20 to 44 years who have an income at least equal to the amount required to purchase an average starter home. Includes all households in the 20 to 44 age group irrespective of their income.

Average Starter House Price — The average price for an NHA-insured home. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. So that NHA starter home prices are representative of first-time buyers at all time periods, the data are analysed to minimize for distribution changes that would otherwise skew the average. NHA-insured homes are typically bought by young first-time buyers with a down payment of less than 25 per cent. The price is the average for each six-month period. This price excludes homes insured under the First Home Loan Insurance program to maintain historical comparisons.

Monthly Mortgage Cost — The monthly principal and interest payment associated with the average starter home price, assuming a 10 per cent down payment. The mortgage balance includes the required mortgage insurance premium.

Property Taxes — Average property taxes for a dwelling occupied by its owner. Data are CMHC estimates.

Heating Costs — Average costs for a starter home. Data are CMHC estimates.

Total Monthly Carrying Costs — Total of monthly payments required for principal, interest, average property taxes, and heating costs.

Income Required to Carry Total Costs — The income required to cover the mortgage payments, property taxes and heating costs, assuming a 32 per cent gross debt service ratio.

Mortgage — A three-year-term closed mortgage with 25-year amortization period. An average mortgage rate of 6.53 per cent was used for the last half of 1997 and a rate of 6.66 per cent was used for the first half of 1998.

Supply Indicators

Categories of Affordable House Prices – *Max. Affordable* is based on average income of all households, family and non-family, but not low-income renters eligible for NHA social housing programs. *Regular (10% down payment)* is identical to the Average Starter House Price in the definitions of the demand affordability indicator. *FHLI (5% down payment)* is the average price for an NHA-insured home under the First Home Loan Insurance program. Includes the following house types: single, semi-detached, row house, mobile home, and apartments for ownership. FHLI homes are available to all buyers with a minimum 5 per cent down payment. The price is the average for each six-month period.

Range of Affordable House Prices – *Max. Affordable* is the maximum price a household could afford given its income and assuming a 32 per cent gross debt service ratio to cover the mortgage payment, property taxes and heating costs. It is based on a three year mortgage rate and a 10 per cent down payment. Both Regular (10%) and FHLI (5%) are average prices of homes insured with these products.

Resale Supply Available – Percentage of MLS active listings at or below the range of affordable house prices. The sources are local Real Estate Boards.

Most Prevalent House Types – The house types most often listed in the supply of active MLS listings. The sources are local Real Estate Boards.

Affordable New Construction – Percentage of new single, semi, apartment or row dwellings sold at or below the range of affordable house prices.

Canadian Housing Markets is a quarterly publication featuring CMHC's affordability indicators and housing forecasts semi-annually. The affordability indicators and the housing forecasts are based on the expertise of local market analysts across the country.
Comments and requests for additional information may be referred to Philipe Le Goff, Senior Economist, Market Analysis Centre, Canada Mortgage and Housing Corporation, Ottawa.
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Cette publication est aussi disponible en français sous le titre ***Marchés de l'habitation canadiens*** Numéro de catalogue CHMSF
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ISSN 1188-4487 — Printed in Canada
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MARKETS
CMHC Market Analysis Centre
Fourth Quarter 1998

In 1999, all eyes will be on the Greater Toronto Area

In general, housing markets in census metropolitan areas (CMAs) will offer a mixed performance in 1999. Growing metropolitan areas are almost equal in number to those experiencing a drop in activity. However, CMHC expects a downturn of 1.0% in the volume of housing starts for all CMAs combined in 1999. The slowdown in housing will be most concentrated in Vancouver, Calgary and Edmonton. An expected increase in housing starts in the Greater Toronto Area and in Atlantic urban centres will not be enough to compensate for losses in the western part of the country. Existing home sales will record a decrease (-2.7%), the second consecutive annual decrease following a record level in 1997.

The Canadian economy is on a slowing trend and job growth outlooks for 1999 are less promising in 16 of the 27 metropolitan areas. Net job creation is estimated at 2.0% for all CMAs in 1999, as opposed to 2.8% in 1998. Furthermore, consumer confidence is dwindling. According to surveys conducted by the Conference Board of Canada, 48% of people surveyed between July and September 1998 stated that it was an appropriate time for purchasing a home, as opposed to 60% the beginning of the year. Clearly, the summer's world-wide economic malaise and a low Canadian dollar weakened consumer confidence.

With a more moderate economic outlook, international net migration should remain below targets of approximately 180,000 individuals per year, as has been the case since the end of 1997. For large urban centres, international migration is a big contributor to housing markets which can make the difference between growth and stagnation.

In this context, and despite low mortgage rates forecasted for 1999, housing markets should generally continue the moderate slowdown started in 1998.

Ontario in the front seat

If, in 1999, the market performs better than expected and the volume of housing starts continues near its current pace, Ontario will be at centre stage with Toronto playing the leading role. Strong job creation, the return of positive net interprovincial migration, recovery from the summer strikes and a tighter resale market puts Ontario in an excellent position. Housing starts should rise by close to 10% in **Toronto** in 1999, by 8% in **Hamilton** and in **Oshawa**, by 7.5 % in **Thunder Bay** and by 2% in **Ottawa**.

With respect to resale, the number of transactions will decrease by 4% in **Toronto** next year because of a more limited choice of homes for sale. Minor drops in the number of transactions are also expected in **St. Catharines** (-1.1%), **Windsor** (-1.9%) and in **London** (-3.9%).

Continued on page 4

Forecast Highlights

- ***Following a 3.1% decrease in 1998, the total number of housing starts will drop by 1.0% in 1999.***
- ***Single-detached housing starts will be least affected by the drop in activity in 1999 (-0.5%).***
- ***The construction of multiple units will decrease by 1.7%.***
- ***Growth is moving toward the eastern part of the country and Ontario should benefit most.***
- ***Housing starts in Vancouver, Calgary and Montréal will come very close to the 10,000 units mark.***
- ***Existing home sales will drop by 2.7% in 1999. Setbacks in the Toronto, Montréal and Calgary markets will cancel out gains in British Columbia as well as several urban centres in Quebec and in Ontario.***

CMHC SCHL
Canada
CHME-0498

Local Housing Market Indicators

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT+ APT. STRUCTURE VACANCY RATES OCTOBER %
Victoria	1997	151 400		1 311		-3,0	609		314 950		4 986		235 976		3,5
	1998**	149 735	-1,1	917	-30,1	-2,5	480	-21,2	316 000	0,3	4 800	-3,7	236 000	0,0	3,8
	1999**	150 334	0,4	1 040	13,4	0,2	535	11,5	312 000	-1,3	4 950	3,1	234 000	-0,8	3,4
Vancouver	1997	941 000		15 950		-3,2	4 685		511 250		25 901		378 881		1,7
	1998**	970 000	3,1	13 000	-18,5	-2,2	3 200	-31,7	485 670	-5,0	19 100	-26,3	365 000	-3,7	2,7
	1999**	974 800	0,5	10 450	-19,6	0,5	2 120	-33,8	461 400	-5,0	19 890	4,1	357 700	-2,0	2,2
Edmonton	1997	474 900		4 962		1,8	3 685		159 233		13 016		123 357		4,6
	1998**	482 900	1,7	5 500	10,8	5,0	3 800	3,1	167 500	5,2	13 400	3,0	129 000	4,6	1,9
	1999**	488 400	1,1	4 850	-11,8	4,5	3 350	-11,8	175 500	4,8	12 750	-4,9	132 900	3,0	1,5
Calgary	1997	466 100	9,3	11 215	57,7	7,7	8 656	47,7	179 250	1,9	21 559	21,3	151 541	8,0	0,5
	1998**	490 000	5,1	11 500	2,5	9,0	8 800	1,7	188 000	4,9	20 500	-4,9	164 000	8,2	0,6
	1999**	505 000	3,1	10 700	-7,0	7,0	8 000	-9,1	196 000	4,3	18 500	-9,8	170 000	3,7	0,5
Saskatoon	1997	112 220		1 187		2,0	709		179 282		3 153		98 270		0,9
	1998**	113 000	0,7	1 050	-11,5	3,0	650	-8,3	184 000	2,6	3 300	4,7	105 000	6,8	0,8
	1999**	114 000	0,9	1 100	4,8	2,5	600		192 000	4,3	3 300	0,0	109 000	3,8	1,0
Regina	1997	102 000		516		3,5	370		147 368		2 926		82 643		1,5
	1998**	103 000	1,0	700	35,7	5,3	500	35,1	150 000	1,8	2 875	-1,7	84 500	2,2	1,7
	1999**	105 000	1,9	700	0,0	4,0	500	0,0	151 000	0,7	2 900	0,9	86 000	1,8	2,0
Winnipeg	1997	352 300		1 518		1,4	1 192		154 144		9 717		85 701		5,9
	1998**	361 900	2,7	1 620	6,7	1,0	1 170	-1,8	155 640	1,0	9 820	1,1	85 700	-0,0	4,0
	1999**	368 400	1,8	1 580	-2,5	0,8	1 150	-1,7	156 575	0,6	9 446	-3,8	86 725	1,2	5,6
Thunder Bay	1997	61 800		266		-0,3	184		177 792		1 431		111 608		7,7
	1998**	59 000	-4,5	228	-14,3	-2,2	165	-10,3	170 000	-4,4	1 288	-10,0	110 492	-1,0	9,3
	1999**	59 500	0,8	245	7,5	0,2	185	12,1	172 000	1,2	1 352	5,0	111 597	1,0	9
Sudbury	1997	78 700		281		-0,6	242		166 747		1 901		108 221		7,2
	1998**	79 500	1,0	240	-14,6	-1,8	225	-7,0	169 000	1,4	1 750	-7,9	108 500	0,3	9,4
	1999**	79 750	0,3	250	4,2		230	2,2	173 750	2,8	1 775	1,4	108 750	0,2	6,5
Windsor	1997	133 400		2 102		3,6	1 574		189 077		5 045		124 631		4,5
	1998**	140 000	4,9	2 100	-0,1	1,0	1 350	-14,2	189 100	0,0	4 875	-3,4	130 000	4,3	4,4
	1999**	143 000	2,1	1 950	-7,1	1,5	1 300	-3,7	190 000	0,5	4 780	-1,9	132 600	2,0	3,1
London	1997	210 400		1 807		0,9	1 309		179 761		6 269		130 534		5,1
	1998**	209 900	-0,2	2 075	14,8	0,3	1 320	0,8	177 750	-1,1	6 350	1,3	129 000	-1,2	4,5
	1999**	212 600	1,3	1 970	-5,1	0,5	1 255	-4,9	180 000	1,3	6 100	-3,9	131 000	1,6	4,1
Kitchener	1997	204 500		2 171		0,7	1 539		176 201		4 295		141 402		1,9
	1998**	208 300	1,9	2 300	5,9	1,7	1 750	13,7	183 000	3,9	4 400	2,4	145 600	3,0	1,5
	1999**	211 850	1,7	2 200	-4,3	2	1 550	-11,4	188 500	3,0	4 600	4,5	149 000	2,3	2,0
St. Catharines-Niagara	1997	161 700		1 462		3,9	1 007		175 540		2 849		125 109		5,4
	1998**	166 900	3,2	1 360	-7,0	3,1	1 025	1,8	183 677	4,6	3 060	7,4	128 225	2,5	4,6
	1999**	168 100	0,7	1 380	1,5	2,7	1 015	-1,0	180 000	-2,0	3 025	-1,1	128 500		4,6
Hamilton	1997	315 200	2,2	3 698	40,0	3,9	2 239	52,1	212 178		9 972	-2,5	151 538	6,5	3,1
	1998**	326 200	3,5	3 700	0,1	3,0	1 800	-19,6	214 000	0,9	9 700	-2,7	153 750	1,5	3,2
	1999**	333 400	2,2	4 000	8,1	1,5	2 200	22,2	218 000	1,9	10 000	3,1	156 000	1,5	2,2

Local Housing Market Indicators (cont'd)

CENSUS METROPOLITAN AREAS (CMA)		TOTAL EMPLOYMENT	yr/yr % CHG	TOTAL HOUSING STARTS	yr/yr % CHG	NEW HOUSE PRICE INDEX % CHG	SINGLE HOUSING STARTS	yr/yr % CHG	AVERAGE SINGLE NEW HOUSE PRICE	yr/yr % CHG	NUMBER OF MLS* SALES (RES.)	yr/yr % CHG	SINGLE MLS AVERAGE PRICE $	yr/yr % CHG	3 UNIT+ APT. STRUCTURE VACANCY RATES OCTOBER %
Toronto	1997	2 240 000		25 567		2,2	14 203		288 410		58 014		211 307		0,8
	1998**	2 320 000	3,6	26 000	1,7	1,4	13 200	-7,1	290 000	0,6	56 500	-2,6	218 000	3,2	0,8
	1999**	2 385 000	2,8	28 500	9,6	2	14 250	8,0	298 000	2,8	54 000	-4,4	224 500	3,0	0,5
Oshawa	1997	136 000		2 064			1 736		184 319						2,4
	1998**	140 500	3,3	1 850	-10,4		1 500	-13,6	195 000	5,8					2,0
	1999**	144 000	2,5	2 000	8,1		1 630	8,7	205 000	5,1					1,5
Ottawa	1997	403 700		3 485		0,7	2 053		176 000		9 427		154 469		4,2
	1998**	420 500	4,2	3 500	0,4	2,5	2 190	6,7	183 000	4,0	9 530	1,1	155 600	0,7	2,1
	1999**	428 500	1,9	3 580	2,3	1,2	2 220	1,4	187 800	2,6	9 585	0,6	158 540	1,9	3
Hull	1997	128 130		1 262			638		119 000		2 071		95 226		9,4
	1998**	128 630	0,4	1 250	-1,0		640	0,3	118 000	-0,8	2 245	8,4	96 500	1,3	6,7
	1999**	129330	0,5	1170	-6,4		600	-6,3	118 000	0,0	2190	-2,4	97500	1,0	6,6
Montréal	1997	1 585 700	1,8	10 508	0,0	0,0	5 200	37,0	132 400	-1,6	24 653	13,0	118 197	5,5	5,9
	1998**	1 625 700	2,5	10 000	-4,8	0,5	5 400	3,8	140 000	5,8	24 700	0,2	123 000	4,1	4,7
	1999**	1 660 700	2,2	10 000	0,0	1,5	5 800	7,4	145 000	3,6	23 500	-4,8	126 000	2,4	5,4
Trois-Rivières	1997	61 000		554			242		92 800		678		75 700		8,6
	1998**	62 000	1,6	563	1,6		250	3,3	93 000	0,2	770	13,6	77 000	1,7	8,5
	1999**	64 000	3,2	460	-18,3		260	4,0	93 500	0,5	785	1,9	78 000	1,3	8,8
Sherbrooke	1997	65 600	2,5	756	64,3		419	61,2	106 400	13,8	951	21,1	88 000	12,8	7,5
	1998**	66 100	0,8	660	-12,7		340	-18,9	98 000	-7,9	1 020	7,3	92 000	4,5	7,3
	1999**	67 300	1,8	610	-7,6		370	8,8	104 000	6,1	1 100	7,8	94 000	2,2	6,3
Québec	1997	319 400		2 233		0,4	1 247		95 850		5 276		86 727		6,6
	1998**	325 000	1,8	1 850	-17,2	0,7	1 100	-11,8	96 500	0,7	5 075	-3,8	85 500	-1,4	5,2
	1999**	333 000	2,5	1 800	-2,7	0,5	1 120	1,8	97 000	0,5	4 950	-2,5	85 500	0,0	5,8
Chicoutimi-Jonquière	1997	64 960	-80,5	500	-72,2	0,0	342	-69,5	84 446	-12,9	1 419	-71,3	75 200	-12,0	4,1
	1998**	65 500	0,8	470	-6,0	0,0	285	-16,7	86 000	1,8	1 460	2,9	76 000	1,1	4,8
	1999**	66 300	1,2	420	-10,6		270	-5,3	86 500	0,6	1 390	-4,8	75 500	-0,7	4,5
Saint John	1997	56 800		234		-3,2	175		123 819		1 274		86 171		8,2
	1998**	59 200	4,2	285	21,8	-1,4	235	34,3	118 000	-4,7	1 300	2,0	87 250	1,3	7,3
	1999**	60 400	2,0	375	31,6	-1	300	27,7	121 000	2,5	1 225	-5,8	89 000	2,0	6,3
Halifax	1997	173 400		2 065		1,0	1 385		134 117		5 072		122 166		7,7
	1998**	178 000	2,7	1 900	-8,0	2,0	1 200	-13,4	150 000	11,8	5 200	2,5	125 700	2,9	5,5
	1999**	180 000	1,1	2 250	18,4	3,0	1 400	16,7	152 000	1,3	5 100	-1,9	127 500	1,4	6,8
St. John's	1997	79 800		932		-2,1	522		125 300		2 080		92 797		16,6
	1998**	82 000	2,8	825	-11,5	-0,5	475	-9,0	127 500	1,8	2 100	1,0	93 000	0,2	15,4
	1999**	84 000	2,4	850	3,0	0,5	550	15,8	130 000	2,0	2 125	1,2	93 500	0,5	12,0
Charlottetown	1997	17 820		231			187		119 400		421		97 300		4,1
	1998**	17 500	-1,8	285	23,4		175	-6,4	122 500	2,6	485	15,2	94 000	-3,4	6,1
	1999**	17 600	0,6	320	12,3		200	14,3	121 000	-1,2	460	-5,2	95 000	1,1	6,5
CMA	1997	9 097 930		98 837			56 349				224 356				4.1
TOTAL	1998**	9 350 965	2,8	95 728	-3,1		53 225	-5,5			215 603	-3,9			3.4
	1999**	9 534 264	2,0	94 050	-1,0		52 460	-0,5			209 778	-2,7			3.6

* *Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.*

** *1998 AND 1999 values are CMHC forecasts.*

† *Average MLS price of all types of units.*

‡ *Single and semi-detached.*

SOURCES: CMHC, Statistics Canada and local real estate boards.

In 1999, all eyes will be on . . .

Continued from page 1

Housing recovery in the Atlantic CMAs

The best prospects for housing starts are probably in the Atlantic region with **Saint John** (+32%) and **Halifax** (+18 %) in the lead. **Charlottetown** (+12%) and even **St. John's** (+3%) should gain some ground after having a disappointing year. As far as resale is concerned, Atlantic centres will be facing the same fate as the rest of the country: a slowdown in activity.

Another good year in Saskatchewan and in Manitoba

In Manitoba and in Saskatchewan, new and existing housing markets are characterized by their stability, the only exception being **Winnipeg** with an expected decrease (-4%) in the number of resale transactions next year. In Saskatchewan, changes in the volume of activity on the new and existing markets will be fairly marginal, remaining very close to 1997 record levels.

Slight downturn in Quebec

For their part, Quebec metropolitan areas will see fewer housing starts, with the exception of **Montréal** where activity will remain stable. The Montréal area, however, will experience fewer in transactions on the existing home market (-5%), accompanied by a higher average price (+2,4%). Resale market gains are expected for **Sherbrooke** and **Trois-Rivières**.

New home market continues to fall in Vancouver but rises in Victoria

Market swings will be most pronounced in British Columbia. As a result of the significant decrease in housing starts (-20%) in **Vancouver**, the country total will experience a decline in the number of housing starts in 1999. As a minor consolation, a rollback in prices will bring on a slight recovery in the resale market (+4%), following a 26% decline in the volume of transactions in 1998.

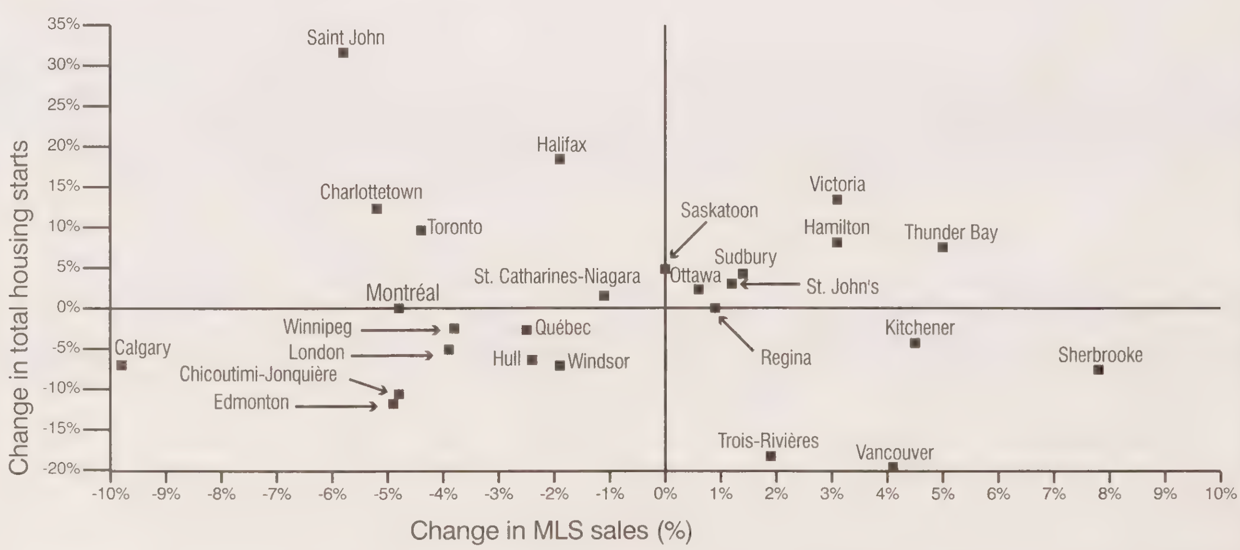
The situation is particularly difficult in urban centres linked to natural resource industries oriented toward exports. In 1998, housing starts outside metropolitan areas should fall by 36% over 1997, that is, almost twice the rate of decline experienced in Vancouver.

The situation is more encouraging in **Victoria** where housing starts (+13%) and existing home sales (+3%) will recover some of the ground lost in 1998. Overall, the job creation outlook is poor in British Columbia and the expected decrease in net migration leaves little hope for market growth.

Alberta running out of steam

Alberta will also drag down the national total of housing starts in 1999. The "engine" providing impetus for housing starts in Alberta will run out of steam. Even if it remains high, the level of housing starts will fall in **Calgary** (-7%) and in **Edmonton** (-12%). A similar scenario is seen for resale where the volume of transactions will drop back 10% in Calgary and 5% in Edmonton. Following the hectic pace in the past few years, activity will slow toward a more sustainable pace over the next few years.

Market activity in 1999

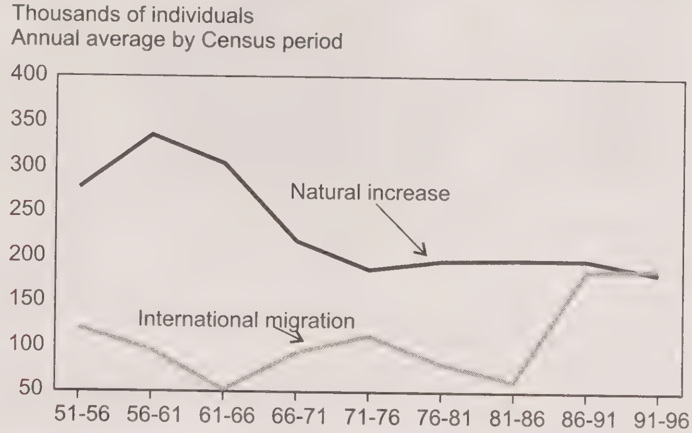


Migration determines ups and downs of housing markets

In the fourth quarter issue of **Canadian Housing Markets** in 1995, we stated that migration was one of the main factors affecting residential housing markets in the 1990s. Our analysis has since been proven correct; the regions with the most housing starts have been those whose net migration was on the rise. Now that the decade is drawing to a close, it is time to summarize this component's effect on housing markets.

This article provides an overview of dominant migration flows and attempts to evaluate their impact on the number of housing starts in the country's major regions.

Demographic Growth Components



SOURCE : CMHC, Statistics Canada.

The increasing significance of migration

During the twelve-month period ending July 1, 1998 and for the first time since 1986, Canadian population growth was less than 1%. According to Statistics Canada, this was the result of a decrease in both the birth rate and international immigration*. At the same time, an estimated 358,800 people migrated from one province to another, a 1.6% increase over the previous year. As a result, now more than ever, residential construction occurring in the most active urban centres can be attributed to international or interprovincial migration.

British Columbia is not out of the woods

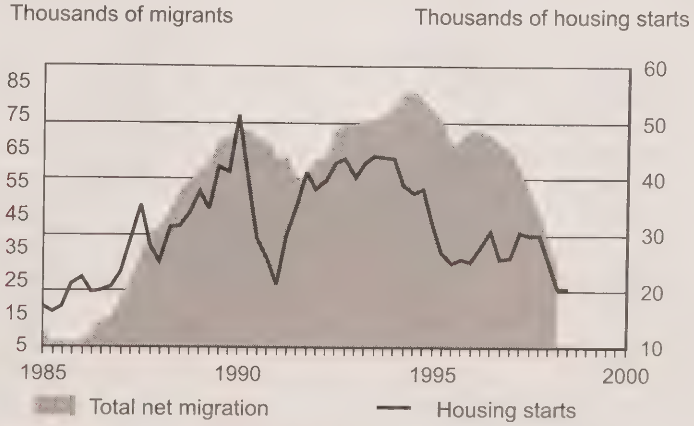
Over the past eighteen months, problems in the Vancouver and British Columbia real estate markets have regularly made headlines. Some observers point to the drop in immigration, especially from Hong Kong. But the downturn in British Columbia housing starts can be explained primarily by the ongoing reduction in interprovincial net migration* since its peak in 1994 when B.C. posted a gain of nearly 34,500 people. Between the third quarter of 1997 and the second quarter of 1998, the province recorded a net loss of 4,230 people.

Housing construction in British Columbia, which relies heavily on international migration, fell more than 50% in four years. Yet contrary to some observers' comments in the past, British Columbia's net international migration remains very high. Between July 1997 and June 1998, it reached 33,000 people and has averaged 34,000 for the last ten years. Nevertheless, immigration is weakening, a trend that appears to have gained momentum since the beginning of this year. Second quarter figures for 1998 are the lowest since 1991. For British Columbia and particularly Vancouver which attracts the majority of new immigrants, the situation is worrisome; the health of B.C. housing markets is dependent upon migration more than it is anywhere else in the country, except perhaps Alberta.

The analysis of data on migration and housing starts for the past 20 years

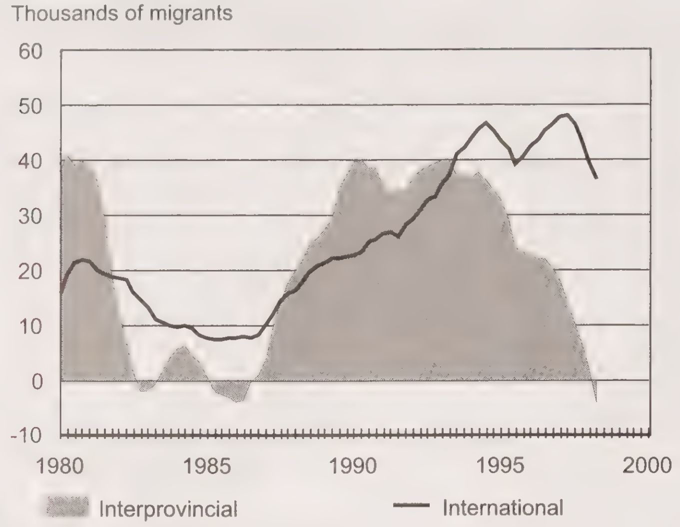
* Includes migration of non-permanent residents and returning Canadians.

British Columbia



SOURCE : CMHC, Statistics Canada. Annual averages

British Columbia — Migration



SOURCE : CMHC, Statistics Canada. Annual averages

demonstrates how closely these two variables are related. A continuing decline in British Columbia residential construction is all the more likely as the employment outlook becomes clearly more promising in Alberta and Ontario. In comparison to the two competing provinces, higher housing costs and heavier tax burdens also hamper British Columbia's net interprovincial migratory movement in the short and medium term.

On the international level, it will be many months before Asia's financial crisis is resolved and this will have a direct impact on international immigration to British Columbia. Asia's crisis has, in effect, reduced the number of immigrant investors who meet Immigration Canada's criteria.

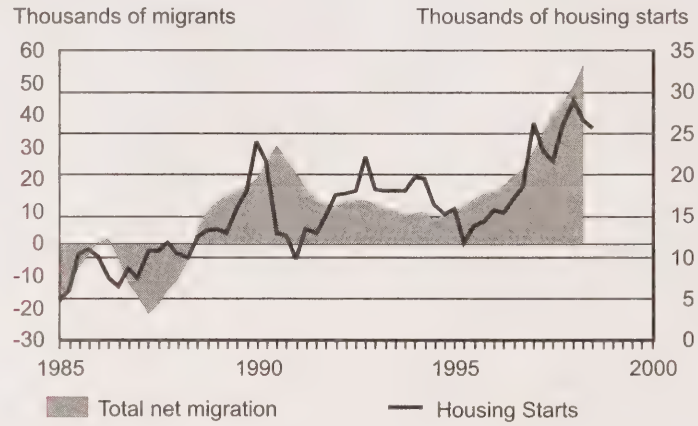
Alberta favoured by migratory influx

Alberta boasts impressive residential construction activity. In 1998, housing starts will likely total about 27,000 units, a 14% increase over 1997. In contrast, Canadian housing starts will drop 4%. Calgary now leads Montréal and is close to Vancouver's starts levels. Calgary's rental housing vacancy rate is also stable at less than 1%.

Contrary to Ontario and B.C., Alberta depends little on international migration. The declining number of international immigrants to the country in recent years has therefore had less impact on housing starts in Alberta.

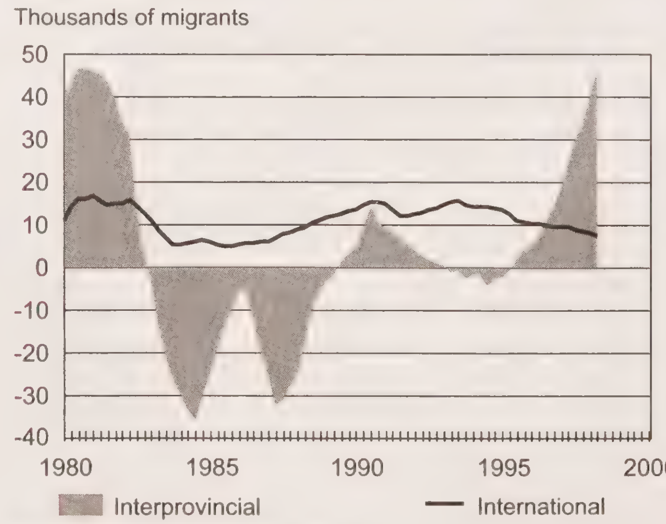
Residential construction in Alberta thrives in fact on interprovincial migration. During the twelve-month period ending June 1998, Alberta recorded a net gain of 47,000 people at the expense of other provinces, reinforcing a trend for the last three years. If we use a ratio of three persons per household, this migratory influx means an annual requirement for new housing of about 15,000 units, or 55% of this year's anticipated housing starts. These migrants will most likely spur new housing construction since the unoccupied inventory of new housing is low and rental market vacancy rates in

Alberta



SOURCE : CMHC, Statistics Canada.

Alberta — Migration



SOURCE : CMHC, Statistics Canada. Annual averages

Calgary and Edmonton are less than 1% and 3% respectively.

In spite of an anticipated slowdown, Alberta still has good prospects for economic and employment growth in 1999. Slowing employment growth will mean fewer new arrivals and a decline in housing starts. But a plunge in migration and housing starts, similar to the early 1980s, is unlikly as Alberta has diversified its economy.

Manitoba and Saskatchewan unable to stem seepage

In spite of posting the country's lowest unemployment rates and significant levels of economic growth, Manitoba and Saskatchewan continue to lose residents the other provinces. Between July 1997 and June 1998, Manitoba and Saskatchewan recorded negative net migration of 3,550 and 2,439 people respectively. This is a significant impediment to new housing development.

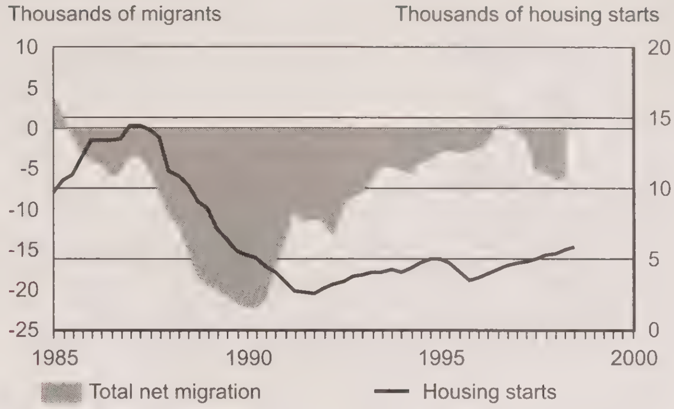
The migration outflow is much lower than in the early part of the decade. However, given the predicted economic slowdown in these two provinces, out-migration can be expected to increase. Since Alberta is one of the main destinations for residents of Manitoba and Saskatchewan, only a significant deceleration of Alberta's economy might stem the flow.

The combined migration loss recorded by these two provinces between July 1997 and June 1998 represents a potential loss of 1,500 to 2,000 housing starts, or one-third of the volume expected in 1998.

Ontario's interprovincial migration turns positive

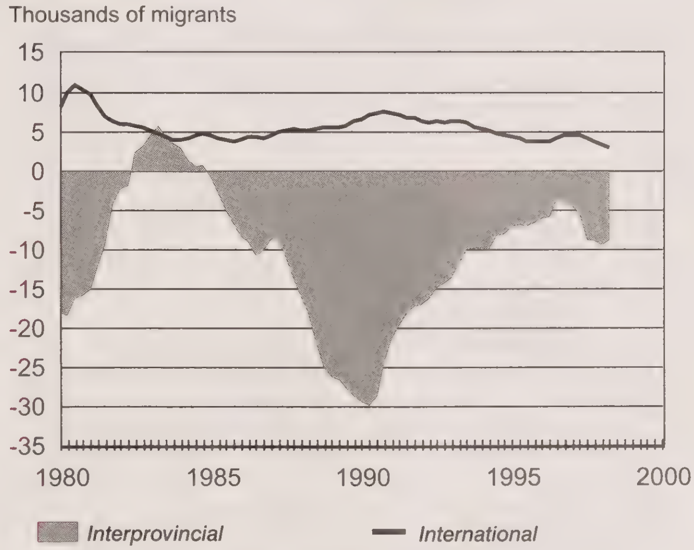
In the past few quarters, Ontario has posted a significant positive interprovincial migration balance for the first time since 1988 (6,662 people between July 1997 and June 1998). This is in sharp contrast to the last decade when many Ontarians left the province for British Columbia and Alberta. Today, the province's brighter economic outlook is motivating Ontarians to stay at home and bringing in residents from other provinces.

Manitoba & Saskatchewan



SOURCE : CMHC, Statistics Canada.

Manitoba & Saskatchewan — Migration



SOURCE: CMHC, Statistics Canada. Annual averages

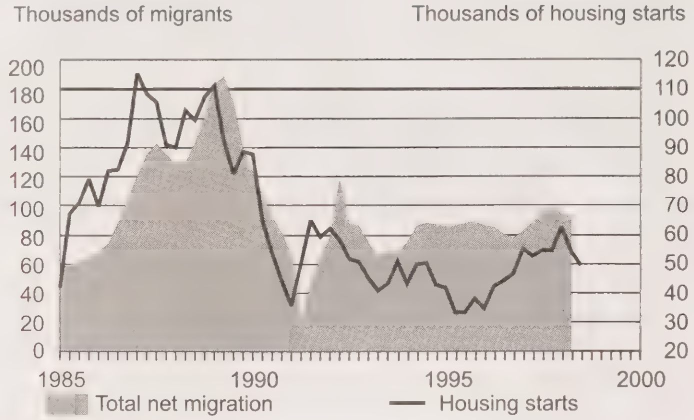
It would appear that British Columbia's economic problems and Alberta's decelerating rate of economic growth will mean that Ontario will reap a major share of interprovincial migration as we near the end of the century. If this net influx continues, it will undoubtedly help boost demand for housing in 1999. Among the provinces, Ontario should experience one of the strongest rates of growth in housing starts in 1999.

In spite of the gradual decline in the number of international immigrants settling in the province since 1993, Ontario still received more than 80,000 people from abroad in the twelve-month period ending June 1998. The majority of them headed for Toronto. This influx alone is likely to increase housing demand potential by at least 20,000 units annually.

Migration flows in and out of Quebec: A zero sum game

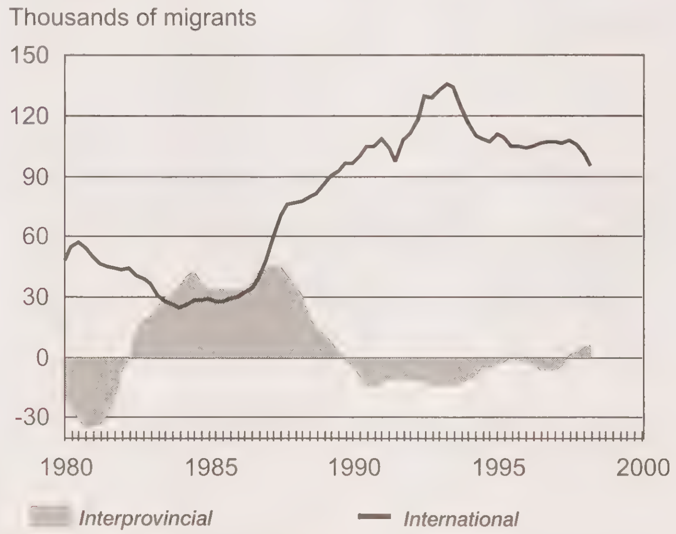
Over the past few years, declining net migration has restricted housing demand potential in Quebec. In fact, for the past 20 years, positive international migration has barely managed to offset negative interprovincial migration.

Ontario



SOURCE : CMHC, Statistics Canada.

Ontario — Migration



SOURCE : CMHC, Statistics Canada. Annual averages.

Zero net migration has meant that Quebec generates 17% of the country's housing starts while its demographic weight is about 25%. In contrast to Alberta and British Columbia, migration's contribution to housing starts is only marginal in Quebec.

Large outflow in the Atlantic provinces

From the migration perspective, the Atlantic region is by far the underdog. First, international migration is positive but low, totalling less than 5,000 people annually for the past twenty years. More important however, is that interprovincial migration for the Maritime provinces shows a persistent and escalating outflow.

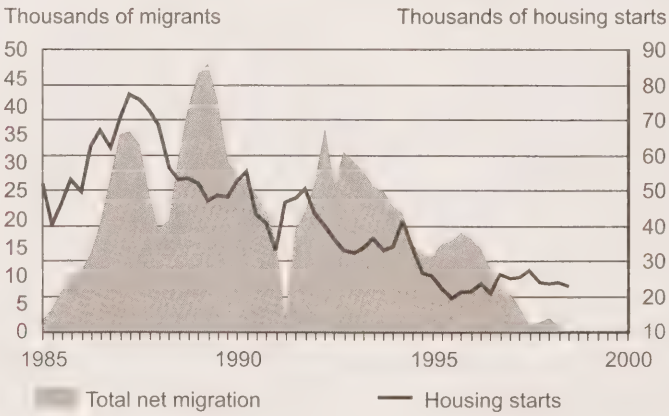
Between July 1997 and June 1998, the four Atlantic provinces combined lost more than 20,000 residents to other provinces. The outflow affects mainly Newfoundland and, to a lesser extent, New Brunswick. Prince Edward Island is staying afloat while Nova Scotia is posting a slight inflow of residents.

This is the highest level emigration from the Maritime Provinces in twenty years and the outflow is clearly increasing. Were it not for this exodus, Maritime housing starts could almost double, based on an average of three persons per household.

Quebec's current net migration flow amounts to a few thousand individuals annually. This, in turn, contributes a maximum of 5 to 10% of the demand for new housing since most migrants can find adequate accomodation in the existing home market.

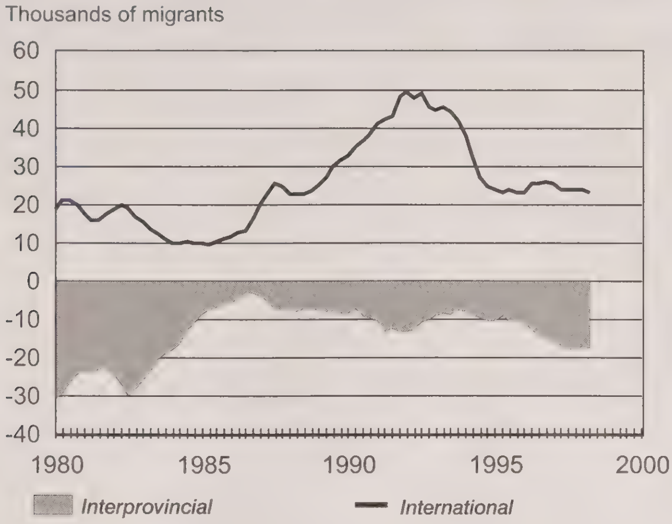
The almost uninterrupted decline in Quebec housing starts since 1988 and especially since 1992 is undoubtedly attributable to the gradual decrease in the volume of international migration from 1992 to 1995, even though it has stabilized in the past three years. Although it too has recently stabilized, interprovincial outflow since 1995 has stifled potential growth in housing demand.

Quebec



SOURCE : CMHC, Statistics Canada.

Quebec — Migration



SOURCE : CMHC, Statistics Canada. Annual averages.

Want to know more?

CMHC has published three studies focusing on various aspects of the relationship between migration and housing demand. You may obtain these documents by calling (613) 748-2367.

1. **The Long-term Housing Outlook:** Household Growth in Canada and the Provinces, 1991-2016. Canada Mortgage and Housing Corporation (CMHC), 1997.

2. **Immigrants and the Canadian Housing Market:** Living Arrangements, Housing Characteristics and Preferences. Canada Mortgage and Housing Corporation (CMHC), 1996.

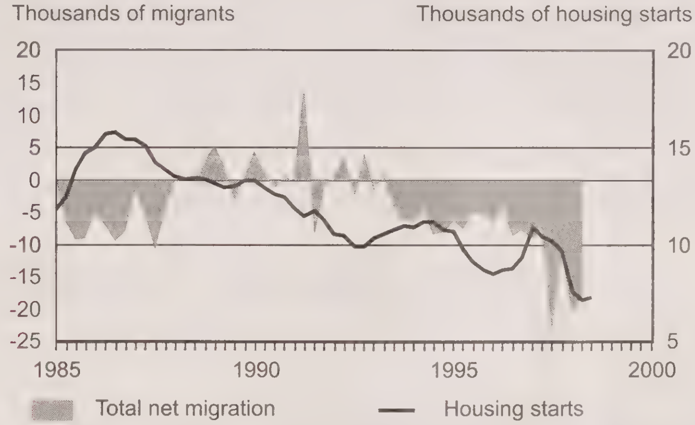
3. **Consumer Intentions to Buy or Renovate a Home: A look at tomorrow's customers.... today.** Canada Mortgage and Housing Corporation (CMHC), 1998.

Migration: A big factor behind housing market activity

Migration flows will undoubtedly continue to shape housing market performance in all provinces. Studying these flows is highly enlightening and constitutes an important means for anticipating provincial housing demand and perhaps even more so at the local level. The age, socio-economic profile and, for international immigrants, ethnic origin are important variables when assessing the volume and type of housing that will be required to meet the needs of new arrivals.

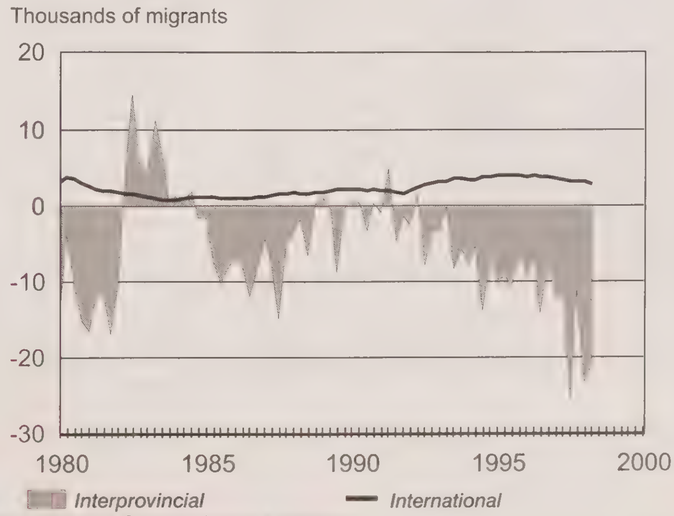
Although it would appear that Ontario is in a good position to increase its net volume of migration in the coming years, Alberta has probably reached its peak. The situation is less clear in British Columbia: a few more quarters may indicate stability. The Atlantic prospects are worrisome, but the completion of energy mega-projects may cap emigration to other provinces.

Atlantic



SOURCE : CMHC, Statistics Canada.

Atlantic — Migration



SOURCE : CMHC, Statistics Canada. Annual averages.

DEFINITIONS :

LOCAL HOUSING MARKET INDICATORS (pages 2 & 3)

Total Employment
The number of people employed in the CMA in all industries in a given year.

Total Housing Starts
Total number of starts for all housing types for the year.

Single Housing Starts
Total number of single housing units initiated during the year.

New House Price Index
A measure of change in the prices charged by contractors for new residential houses whose detailed specifications remain the same between two consecutive periods.

Single New House Price
The weighted average price of all units sold during the year.

Number of MLS Sales (Residential)
Total number of sales for all types of residential dwellings sold through MLS for the year. This number is supplied by local real estate boards.

Single MLS Average Price
Weighted average price of single family homes sold though MLS for the year. Price data is supplied by local real estate boards.

Three-Unit plus Apartment Structures Vacancy Rate
Overall private market vacancy rate reported in CMHC's Rental Market Survey for October.

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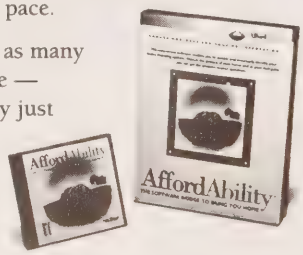

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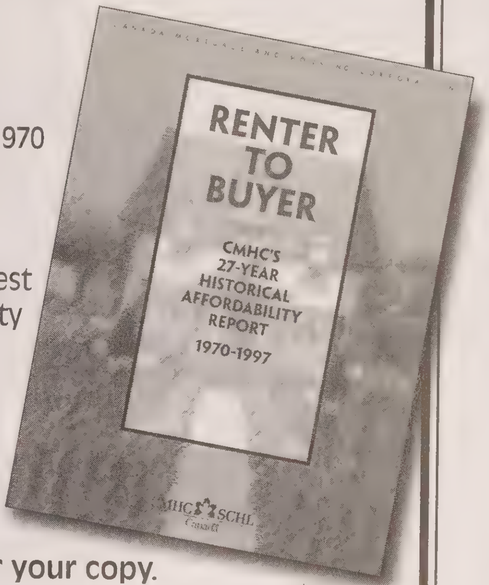

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ISSN 1188-4487 - Printed in Canada

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